

MACRO DAILY

02 August 2019

Macro developments

- Total GST collections for Jun'19 reached Rs 1tn vs Rs 999bn in May'19. This was driven by 14.4% jump in CGST on a YoY basis and 15.2% increase in SGST. However IGST collections fell by (-) 60.4% while cess collections rose by only 0.1%. In Q1FY20, total collections are at Rs 3tn vs Rs 2.9tn in the same period last year (+5.7%). This run rate is however much lower than government's targeted rate of 13.6% for FY20.
- Bank of England (BoE) kept policy rate unchanged at 0.75% in its latest meeting. However, growth forecast has been slashed to 1.3% for both CY19 and CY20 as against 1.5% and 1.6% projected earlier. This has been on the back of muted global growth. Newspaper reports also quoted that BoE sees 33% risk of recession due to Brexit uncertainty.
- Global manufacturing activity contracted further in Jul'19 (49.3 vs 49.4 in Jun'19). Faster contraction was visible across regions - Eurozone (in particular Germany & France), UK and Japan, led by declining new orders. US ISM index too eased marginally in Jul'19 (51.2 vs 51.7 in Jun'19). India however remains a bright spot with PMI at 52.5 vs 52.1 in Jun'19, led by revival in factory orders, raw material purchases and job creation.

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Markets

- Bonds:** Global yields closed mixed as US announced additional 10% tariff on US\$ 300bn Chinese imports w.e.f 1 Sep 2019. US 10Y yield fell by (-) 12bps to its lowest since Nov'16 at 1.89%. Crude prices declined by (-) 7.2% (US\$ 61/bbl) as renewed trade tensions ignited fears of growth slowdown. India's 10Y yield rose by 5bps (6.42%). However, it is trading 9bps lower (6.33%) today on concerns of muted global growth.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.1% after US further escalated its tariff war with China. As a result, JPY rose sharply by 1.3%. INR depreciated by (-) 0.4%. It opened further weaker today in line with other Asian currencies.
- Equity:** Global indices ended mixed as trade tensions rose with US announcing additional tariffs on China. As a result, Dow and Shanghai Comp fell by (-) 1% and (-) 0.8% respectively. However, Dax rose by 0.5% after BoE held rates steady. Sensex fell by (-) 1.2% led by subdued global cues. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.89 | (12) | (19) | (13) | (65) | (109) |
| UK | 0.59 | (2) | (12) | (22) | (59) | (78) |
| Japan | (0.13) | 2 | 2 | 2 | (9) | (26) |
| Germany | (0.45) | (1) | (9) | (9) | (48) | (91) |
| India | 6.42 | 5 | (9) | (46) | (97) | (130) |
| China | 3.15 | (1) | (2) | (8) | (25) | (33) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.73 | (14) | (13) | (5) | (61) | (93) |
| UK | 0.45 | 2 | (6) | (16) | (32) | (34) |
| Japan | (0.18) | 2 | 2 | 3 | (3) | (8) |
| Germany | (0.78) | 0 | (2) | (2) | (19) | (21) |
| India | 6.01 | (1) | (8) | (27) | (76) | (148) |
| China** | 2.58 | 0 | (1) | (4) | (8) | (22) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1085 | 0.1 | (0.6) | (1.8) | (0.8) | (4.3) |
| GBP | 1.2128 | (0.3) | (2.6) | (4.1) | (6.9) | (6.8) |
| JPY | 107.34 | 1.3 | 1.2 | 1.0 | 3.7 | 3.9 |
| AUD | 0.6800 | (0.7) | (2.2) | (2.4) | (2.9) | (7.6) |
| INR | 69.06 | (0.4) | (0.0) | (0.2) | 0.4 | (0.5) |
| CNY | 6.8987 | (0.2) | (0.4) | (0.7) | (2.4) | (0.8) |
| Equity & Other indices (Δ %) | | | | | | |
| DOW | 26,583 | (1.0) | (2.1) | (0.5) | 1.0 | 5.0 |
| FTSE | 7,585 | 0 | 1.3 | 1.2 | 3.2 | 0.1 |
| DAX | 12,253 | 0.5 | (0.9) | (2.1) | (0.7) | (2.3) |
| NIKKEI | 21,541 | 0.1 | (1.0) | (0.9) | (3.2) | (4.3) |
| Shanghai Comp | 2,909 | (0.8) | (1.0) | (4.5) | (5.5) | 5.1 |
| SENSEX | 37,018 | (1.2) | (2.1) | (6.7) | (5.0) | (0.4) |
| Brent (USD/bbl) | 60.50 | (7.2) | (4.6) | (7.0) | (14.5) | (17.6) |
| Gold (USD/oz) | 1,445 | 2.2 | 2.2 | 4.4 | 13.7 | 19.7 |
| CRB Index | 402.1 | (0.3) | (1.3) | (1.0) | (3.9) | (6.0) |
| Rogers Agri Index | 712.1 | (1.2) | (3.2) | (4.6) | (1.5) | (12.5) |
| LIBOR (3M)* | 2.27 | 1 | 1 | (7) | (30) | (7) |
| INR 5Yr Swap* | 6.60 | 2 | 0 | (11) | (63) | (104) |
| India FII data (US\$ mn) | | | | | | |
| | 31 Jul | 30 Jul | WTD | MTD | CYTD | FYTD |
| FII-Debt | 123.5 | 37.0 | 143.0 | 1,225.7 | 2,654.0 | 2,109.3 |
| FII-Equity | (212.9) | (98.2) | (365.4) | (1,934.2) | 9,404.6 | 2,559.4 |

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** as on 16.07.2019.

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