

MACRO DAILY

25 August 2020

Macro developments

- According to Ministry of Finance, post the implementation of GST, tax compliance has improved and average tax rate has been reduced for the system. Compliance has nearly doubled from 6.5mn assesses at the beginning to 12.4mn currently. The revenue neutral rate as per the GST committee was estimated to be 15.3%, while the actual weighted GST rate currently is only 11.6%.
- Taiwan's industrial production growth eased to 2.7% in Jul'20 versus 7.2% in Jun'20 on a YoY basis. This was attributable to a slowdown in manufacturing output at 2.6% in Jul'20 from 7.6% in Jun'20. Separate data showed that the seasonally adjusted unemployment rate fell to 3.9% in Jul'20 compared with 4% in Jun'20.
- Singapore's core CPI contracted to 10-year low of 0.4% in Jul'20 (in line with estimates) from 0.2% in Jun'20. The moderation was led by sharp decline in electricity prices (dropped by 15.2% versus 3.9% in Jun'20) and food inflation (edged lower to 2.2% from 2.3%). Monetary Authority of Singapore (MAS) expects inflation to remain subdued and average around (-) 1%-0% in CY20 on the back of lower oil prices.

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Markets

- Bonds:** Except Japan, global yields closed higher. US 10Y yield rose by 3bps (0.65%) awaiting Powell's speech. Crude prices rose by 1.8% (US\$ 45/bbl) as tropical storm affected production in the US gulf coast. India's 10Y yield rose by 8bps (6.17%) as MPC minutes elevated concerns of inflation and dented hopes of rate cut. It is trading lower at 6.11% today as RBI announced special OMO of Rs 200bn.
- Currency:** Global currencies closed broadly lower against the dollar. DXY rose by 0.1% awaiting Fed Chair's comments at the Jackson Hole meeting. GBP depreciated further by 0.2% amidst uncertainty over Brexit deal. INR rose by 0.7% to a 5-month high on the back of FII inflows. It is trading further higher today, in line with other Asian currencies.
- Equity:** Global indices ended higher surrounded by positive developments around COVID-19 vaccine. Dax (2.4%) and FTSE (1.7%) surged the most. Sensex (0.9%) too ended in green led by banking and capital goods stocks. It is trading higher 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	0.65	3	(3)	7	0	(88)
UK	0.21	1	0	7	4	(27)
Japan	0.03	(1)	(2)	1	3	29
Germany	(0.49)	2	(4)	(4)	0	18
India	6.17	8	21	34	41	(32)
China	3.00	1	5	13	34	(5)
2Y yields (Δ bps)						
US	0.15	1	0	0	(2)	(139)
UK	(0.04)	1	0	5	1	(50)
Japan	(0.10)	1	1	3	5	22
Germany	(0.68)	1	(2)	(3)	0	22
India	4.37	5	10	20	(6)	(138)
China	2.45	1	23	18	104	(14)
Currencies (Δ %)						
EUR	1.1788	(0.1)	(0.7)	1.1	8.2	6.2
GBP	1.3063	(0.2)	(0.3)	2.1	7.2	6.9
JPY	105.9800	(0.2)	0	0.2	1.6	0.1
AUD	0.7163	0	(0.7)	0.8	9.4	5.7
INR	74.3212	0.7	0.8	0.7	2.2	(3.2)
CNY	6.9196	0	0.2	1.4	3.0	3.2
Equity & Other indices (Δ %)						
Dow	28,308	1.4	1.7	6.9	15.7	9.3
FTSE	6,105	1.7	(0.4)	(0.3)	1.9	(14.0)
DAX	13,067	2.4	1.1	1.8	14.7	12.1
NIKKEI	22,986	0.3	(0.5)	1.0	10.8	13.4
Shanghai Comp	3,386	0.1	(1.5)	5.9	20.1	18.2
SENSEX	38,799	0.9	2.0	1.8	26.5	3.5
Brent (US\$/bbl)	45.13	1.8	(0.5)	4.1	27.0	(23.1)
Gold (US\$/oz)	1,929	(0.6)	(2.8)	1.4	11.4	26.3
CRB Index	387.5	0.3	1.0	3.7	6.0	(1.1)
Rogers Agri Index	721.5	0.2	0.6	4.0	9.1	5.5
LIBOR (3M)*	0.25	(1)	(2)	0	(12)	(189)
INR 5Y Swap*	5.54	6	18	31	41	(62)
India FII data (US\$ mn)						
	21 Aug	20 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	129.3	(148.5)	15.8	(30.7)	(14,558.3)	(4,798.8)
FII-Equity	58.5	(21.5)	1,969.7	5,558.0	4,269.8	10,872.8

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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