

MACRO DAILY

02 March 2020

Macro developments

- India's central government fiscal deficit is at 4.3% of GDP (12M trailing basis) in Jan'20 vs FY20 (RE) of 3.8%. On FYTD basis, gross tax collections continue to disappoint with (-) 1.6% decline vs 11.4% growth seen in FYTD19. The drag is led by corporate tax collections. Indirect tax collections are also muted. On the expenditure front, while revenue spending is running below RE (12.9% vs 17%), capex remains elevated.
- Total GST collections for Jan'20 remained broadly unchanged at Rs 1.1tn. On a YoY basis, collections were 8.3% higher, led by 25% jump in CGST and 15.5% in SGST (post IGST settlement). On FYTD basis CGST collections are at Rs 4.1tn vs RE of Rs 5.1tn and total collections are at Rs 5tn vs RE of Rs 6.4tn. While CGST and cess are expected to meet targets, IGST may see marginal shortfall (Rs 63bn vs RE Rs 280bn).
- China's official manufacturing PMI plunged to an all-time low of 35.7 in Feb'20 vs est.: 45 and 50 in Jan'20, amidst factory shutdowns owing to Lunar New Year holiday and COVID-19. The sub-index for new orders fell to 29.3 vs 51.4 in Jan'20, while new export orders index declined to 28.7 from 48.7. Non-manufacturing PMI too fell, to 29.6 from 54.1 in Jan'20.

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Markets

- Bonds:** Global yields closed lower on concerns over spread of COVID-19. US 10Y yield fell the most (11bps) to hit a new record low of 1.15% as markets are pricing in a rate cut to support growth. Oil prices fell by (-) 3.2% (US\$ 51/bbl) on account of muted demand outlook. India's 10Y yield fell by 1bps (6.37%). It is trading lower at 6.34% today.
- Currency:** Global currencies closed mixed as COVID-19 outbreak continued to spread beyond China. DXY fell by (-) 0.4% on growing expectations of a rate cut by the Fed. JPY strengthened by 1.6%. INR depreciated by (-) 0.9% to a 6-month low on the back of FII outflows. However it is trading higher today in line with other Asian currencies.
- Equity:** Global indices ended in red as the COVID-19 outbreak spread globally. Dax (-3.9%) declined the most followed by both Nikkei and Shanghai Comp falling by (-) 3.7%. Sensex too ended lower (-3.6%) led by global cues and was further dragged down by tech and auto stocks. However, 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	1.15	(11)	(32)	(51)	(63)	(160)
UK	0.44	(3)	(13)	(11)	(26)	(85)
Japan	(0.15)	(5)	(10)	(11)	(8)	(15)
Germany	(0.61)	(6)	(18)	(27)	(25)	(79)
India	6.37	(1)	(5)	(21)	(10)	(101)
China	2.73	(5)	(13)	(27)	(44)	(47)
2Y yields (Δ bps)						
US	0.91	(15)	(44)	(55)	(70)	(164)
UK	0.31	(2)	(21)	(14)	(23)	(49)
Japan	(0.25)	(5)	(9)	(12)	(8)	(10)
Germany	(0.77)	(4)	(13)	(14)	(14)	(26)
India	5.60	(2)	(9)	(50)	26	(111)
China	1.97	0	(33)	(32)	(67)	(45)
Currencies (Δ %)						
EUR	1.1026	0.2	1.7	0	0.1	(3.0)
GBP	1.2823	(0.5)	(1.1)	(1.6)	(0.8)	(2.9)
JPY	107.89	1.6	3.3	1.2	1.5	3.6
AUD	0.6515	(0.8)	(1.7)	(3.7)	(3.7)	(8.0)
INR	72.18	(0.9)	(0.7)	(1.2)	(0.6)	(1.8)
CNY	6.9920	0.2	0.5	(0.7)	0.6	(4.3)
Equity & Other indices (Δ %)						
Dow	25,409	(1.4)	(12.4)	(11.5)	(9.4)	(2.4)
FTSE	6,581	(3.2)	(11.1)	(12.0)	(10.4)	(7.4)
DAX	11,890	(3.9)	(12.4)	(10.8)	(10.2)	2.5
NIKKEI	21,143	(3.7)	(9.6)	(8.9)	(9.2)	(2.1)
Shanghai Comp	2,880	(3.7)	(5.2)	(3.2)	0.3	(3.8)
SENSEX	38,297	(3.6)	(7.0)	(6.5)	(6.1)	6.2
Brent (US\$/bbl)	50.52	(3.2)	(13.6)	(15.1)	(19.1)	(22.4)
Gold (US\$/oz)	1,586	(3.6)	(3.5)	1.2	8.3	22.6
CRB Index	395.1	(0.1)	(1.8)	(2.7)	2.2	(4.5)
Rogers Agri Index	703.2	(0.9)	(5.1)	(6.2)	(3.5)	(6.3)
LIBOR (3M)*	1.58	(3)	(10)	(19)	(33)	(102)
INR 5Y Swap*	6.15	(8)	(24)	(52)	(19)	(86)
India FII data (US\$ mn)						
	27 Feb	26 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(270.9)	(309.1)	(1,031.9)	315.6	(1,253.3)	1,690.8
FII-Equity	(428.0)	(436.7)	(1,362.0)	877.1	2,249.7	9,638.9

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

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