

MACRO DAILY

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Macro developments

- As per news reports, government revenue receipts might see a turnaround with implementation of Direct Tax Code. The report suggests a shift away from prosecution of assessment for people paying higher income tax for upto six years. This could boost revenues by Rs 550bn. In FYTD20, direct tax collection have risen by 3% as of Oct'19 vs BE of 18.6% in FY20 (Income tax: 5% vs BE of 22.4%, corporate tax: 0.5% vs BE of 15.4%).
- Germany's exports rose by 1.5% in Sep'19 on a MoM basis, largest increase since Nov'17, vs (-) 0.9% in Aug'19. Imports also rose by 1.3% vs 0.1%. As a result, trade surplus expanded to € 21.1bn vs € 16.4bn. The data offers some hope as slowdown in global economy, Brexit uncertainty and US-China trade war, continue to weigh on Germany's exports.
- China's PPI fell by (-) 1.6% in Oct'19 vs (-) 1.2% in Sep'19. The steepest decline since Jul'16 was driven by oil & natural gas extraction (-17.9%) and ferrous metal mining (-6.1%). On the other hand, CPI soared to ~8 year high of 3.8% in Oct'19 vs 3% in Sep'19, on the back of doubling of pork price (101.3%). In CYTD19, CPI is up by 2.6% vs PBOC's target of 3%, implying that if food inflation continues to inch up, PBOC may restrain monetary policy easing measures in the coming months.

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Markets

- Bonds:** Global yields closed mixed amidst developments over US-China trade deal. US 10Y yield rose by 2bps (1.94%). German 10Y yield fell by 3bps supported by rebounding exports data. Oil prices rose by 0.4% (US\$ 63/bbl). India's 10Y yield rose by 3bps (6.75%) as fiscal concerns emanate from growth slowdown. It is trading flat today.
- Currency:** Barring JPY, other global currencies closed lower as uncertainty over US-China trade deal reemerged. DXY rose by 0.2% to near 1-month high. INR depreciated by (-) 0.5% after Moody's downgraded India's outlook. Tracking its Asian peers, it is trading even lower today.
- Equity:** Barring Dow (flat) and Nikkei, other global indices ended lower as investor sentiments took a hit amidst worries over US-China trade deal. Sensex ended in red (-0.8%), dragged down by metal and oil & gas stocks. 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	1.94	2	23	36	20	(124)
UK	0.79	0	13	33	31	(70)
Japan	(0.05)	1	13	15	17	(17)
Germany	(0.26)	(3)	12	29	31	(67)
India [^]	6.75	3	9	9	25	(101)
China	3.27	0	0	15	24	(22)
2Y yields (Δ bps)						
US	1.67	1	12	21	3	(129)
UK	0.55	1	3	18	11	(29)
Japan	(0.17)	1	10	14	10	(3)
Germany	(0.62)	(1)	4	14	25	(4)
India	5.56	5	7	(9)	(29)	(192)
China [#]	2.69	4	0	11	17	(1)
Currencies (Δ %)						
EUR	1.1018	(0.3)	(1.3)	0.4	(1.6)	(2.8)
GBP	1.2774	(0.3)	(1.3)	4.7	6.2	(1.5)
JPY	109.26	0	(1.0)	(1.7)	(3.4)	4.0
AUD	0.6863	(0.5)	(0.6)	2.1	1.1	(5.0)
INR	71.29	(0.5)	(0.7)	(0.3)	(0.7)	1.7
CNY	6.9959	(0.3)	0.6	1.9	0.9	(0.6)
Equity & Other indices (Δ %)						
Dow	27,681	0.0	1.2	5.1	5.3	6.5
FTSE	7,359	(0.6)	0.8	2.7	1.5	3.6
DAX	13,229	(0.5)	2.1	9.4	13.1	14.7
NIKKEI	23,392	0.3	2.4	9.0	13.1	5.1
Shanghai Comp	2,964	(0.5)	0.2	1.3	6.8	14.1
SENSEX	40,324	(0.8)	0.4	5.6	7.3	14.7
Brent (US\$/bbl)	62.51	0.4	1.3	7.2	6.8	(10.9)
Gold (US\$/oz)	1,459	(0.6)	(3.7)	(3.1)	(2.5)	20.6
CRB Index	390.7	(0.1)	0.2	0.9	(2.5)	(5.7)
Rogers Agri Index	730.6	0.2	(0.2)	1.8	2.4	(5.8)
LIBOR (3M)*	1.90	0	1	(8)	(28)	(72)
INR 5Y Swap*	6.50	(4)	(1)	23	17	(119)
India FII data (US\$ mn)						
	7 Nov	6 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(146.7)	387.1	418.6	652.1	5,339.0	4,794.3
FII-Equity	126.0	178.0	371.9	626.9	10,849.7	4,004.5

Source: Bloomberg, Bank of Baroda | [^]7.26% GS 2029 | *Indicates change in bps | #1Y yield

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