

MACRO DAILY

17 June 2020

Macro developments

- According to news reports, direct tax collections in Apr-Jun'20 have fallen by 32.8% so far to Rs 927bn versus Rs 1.38tn last year. This is led by 79% dip in corporate advance tax collection and 65% decline in income tax collections. Apart from COVID-19 related shutdown, cut in corporate tax rates have also impacted the revenue stream. For FY21, the direct tax collection target is Rs 13.2tn, requiring 27% YoY jump in collections.
- Germany's ZEW economic sentiment index rose for the third consecutive month to 63.4 in Jun'20 from 51 in May'20 and against expectation of 60. The survey results predicted that the economy will bottom out by summer CY20. In a separate print, Germany CPI was muted at 0.6% in May'20 (unchanged from Apr'20), led by falling energy prices.
- US retail sales rose by 17.7% in May'20 (biggest jump since CY92) from a decline of 14.7% in Apr'20, on a MoM basis. This was on the back of gradual reopening of businesses following the lockdown imposed to curtail the spread of COVID-19. The sharpest jump was seen in sale of clothing & accessories, electronics & appliances, sporting goods and home furniture.

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Markets

- **Bonds:** Global yields closed broadly higher amidst rebounding retail sales in US and a revival in economic sentiment in Germany. US and Germany's 10Y yield rose by 3bps and 2bps respectively. Crude prices also rose by 2.8% (US\$ 41/bbl). India's 10Y yield increased by 6bps (6.03%) amidst escalating border dispute with China. It is trading flat today.
- **Currency:** Except JPY (flat) and CNY, other global currencies closed lower against the dollar amidst heightened geo-political tensions. DXY rose by 0.3% as US retail sales rose more than expected in May'20. CNY fell by 0.1% as lockdown restrictions were reinforced in Beijing. INR fell by 0.2%. It is trading further lower today, in line with other Asian currencies.
- **Equity:** Global indices closed higher led by Fed's announcement of purchasing corporate bond, hopes of COVID-19 vaccine and stronger US retail sales print. Nikkei (4.9%) surged the most followed by Dax (3.4%) and FTSE (2.9%). Sensex (1.1%) too ended higher led by stronger global cues. However, 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	0.75	3	(8)	8	0	(137)
UK	0.19	(1)	(14)	(3)	(23)	(65)
Japan	0.01	0	(1)	1	(1)	13
Germany	(0.43)	2	(12)	9	2	(20)
India	6.03	6	4	19	(24)	(96)
China	2.86	5	4	15	14	(43)
2Y yields (Δ bps)						
US	0.21	2	1	4	(17)	(168)
UK	(0.05)	(1)	(6)	(4)	(31)	(65)
Japan	(0.17)	(1)	(3)	(2)	0	3
Germany	(0.67)	(1)	(6)	7	23	3
India	4.40	1	(2)	(11)	(102)	(184)
China	1.96	(1)	(6)	75	3	(74)
Currencies (Δ %)						
EUR	1.1263	(0.5)	(0.7)	4.6	1.3	0.9
GBP	1.2588	(0.1)	(1.1)	4.0	2.7	0.6
JPY	107.33	0	0.4	(0.3)	(1.4)	1.1
AUD	0.6889	(0.4)	(1.0)	7.9	13.1	1.0
INR	76.21	(0.2)	(0.8)	(0.6)	(2.4)	(8.8)
CNY	7.0862	0.1	(0.1)	0.2	(1.4)	(2.4)
Equity & Other indices (Δ %)						
Dow	26,290	2.0	(3.6)	8.8	27.6	(1.3)
FTSE	6,243	2.9	(1.5)	4.6	17.7	(17.6)
DAX	12,316	3.4	(2.4)	13.8	36.3	(1.4)
NIKKEI	22,582	4.9	(2.2)	7.5	26.6	1.9
Shanghai Comp	2,932	1.4	(0.8)	0.8	3.6	0.1
SENSEX	33,605	1.1	(1.0)	6.9	5.9	(14.7)
Brent (US\$/bbl)	40.84	2.8	(0.8)	22.2	32.2	(34.8)
Gold (US\$/oz)	1,725	(0.3)	1.6	(1.1)	13.9	28.8
CRB Index	364.3	(0.5)	(1.3)	0.4	(4.3)	(11.7)
Rogers Agri Index	671.5	(0.4)	(2.0)	2.1	3.0	(12.7)
LIBOR (3M)*	0.32	1	1	(6)	(57)	(210)
INR 5Y Swap*	5.20	(2)	7	2	(46)	(157)
India FII data (US\$ mn)						
	15 Jun	12 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(21.7)	7.8	(21.7)	(304.9)	(14,360.2)	(4,600.7)
FII-Equity	(349.9)	65.1	(349.9)	2,579.8	(2,334.8)	4,268.2

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

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