

MACRO DAILY

18 December 2019

Macro developments

- As per news reports, Centre's gross tax collections are up by 4.8% in FYTD20 (till 17 Dec) vs BE of 18.3%. The slowdown is led by corporate tax collections at Rs 2.5tn (+1.6%) in FYTD20 vs BE of Rs 7.6tn (15.4%). In Q3FY20 alone, corporate tax collections dipped by (-) 5.2%. Income tax collections rose by 13.6% (FYTD20) vs BE of 23.3%. With refunds up by 26.6%, net tax collections rose by only 0.7% in FYTD20 vs BE of 25.6%.
- US industrial production rose by 1.1% (2-year high) in Nov'19 from (-) 0.9% on a MoM basis. The improvement was led by manufacturing and utilities output rising by 1.1% and 2.9% in Nov'19. Overall industrial production excl motor vehicles, rose by 0.5% in Nov'19. Even capacity utilization inched up to 77.3% in Nov'19 from 76.6% in Oct'19.
- Japan's exports fell by (-) 7.9% in Nov'19 vs (-) 9.2% in Oct'19. The ease in contraction was led by Asia (-5.7% vs -11.2% in Oct'19), in particular China (-5.4% vs -10.3%). However, exports to the US contracted further (-12.9% vs -11.4%) driven by car and car parts and construction machinery. Owing to weakness in domestic demand, Japan's imports also fell in Nov'19 (-15.7%) vs Oct'19 (-14.8%).

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Markets

- Bonds:** Global yields closed mixed, due to lack of clarity on US-China trade deal and Brexit. US 10Y yield rose by 1bps (1.88%) over rebounding manufacturing activity in Nov'19. Oil prices rose by 1.2% (US\$ 66/bbl). India's 10Y yield fell by 5bps (6.75%) on account of short covering ahead of the MPC minutes. It is trading lower at 6.74% today.
- Currency:** Global currencies closed mixed. Fears of a hard Brexit led to a (-) 1.5% slide in GBP. AUD also fell by (-) 0.5% as RBA minutes hinted at another rate cut in Feb'20. DXY rose by 0.2%. INR closed flat. It is trading marginally lower today in line with other Asian currencies.
- Equity:** Except Dax, other global indices ended higher as investors track developments over US-China trade deal. Shanghai Comp rose the most (1.3%), followed by Sensex (1%). Led by metal and tech stocks, Sensex closed at a record high. It is trading higher today; while Asian stocks are muted.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.88	1	4	5	8	(94)
UK	0.76	(6)	(4)	3	7	(52)
Japan	(0.00)	1	1	6	15	(3)
Germany	(0.30)	(2)	0	4	18	(54)
India	6.75	(5)	4	23	2	(59)
China	3.23	2	2	(2)	12	(16)
2Y yields (Δ bps)						
US	1.62	0	(3)	1	(10)	(102)
UK	0.54	(6)	(6)	(1)	0	(21)
Japan	(0.11)	1	0	8	13	4
Germany	(0.64)	(1)	(1)	(1)	7	(3)
India	5.82	1	8	36	5	(110)
China	2.59	(1)	0	(10)	6	9
Currencies (Δ %)						
EUR	1.1150	0.1	0.5	0.9	0.7	(1.9)
GBP	1.3131	(1.5)	(0.2)	1.8	5.0	3.9
JPY	109.48	0.1	(0.7)	(0.6)	(1.2)	2.7
AUD	0.6851	(0.5)	0.6	0.5	(0.2)	(4.6)
INR	70.97	0	(0.1)	1.1	1.1	(0.8)
CNY	6.9972	(0.1)	0.5	0.2	1.3	(1.5)
Equity & Other indices (Δ %)						
Dow	28,267	0.1	1.4	0.9	4.3	19.4
FTSE	7,525	0.1	4.3	3.0	2.8	12.3
DAX	13,288	(0.9)	1.7	0.3	7.4	23.7
NIKKEI	24,066	0.5	2.8	3.3	9.4	14.0
Shanghai Comp	3,022	1.3	3.6	4.5	1.5	17.3
SENSEX	41,352	1.0	2.8	2.5	13.4	13.8
Brent (US\$/bbl)	66.10	1.2	2.7	4.4	2.4	17.5
Gold (US\$/oz)	1,476	0	0.8	0.5	(1.7)	18.2
CRB Index	398.9	0	1.4	2.1	3.6	(3.5)
Rogers Agri Index	749.2	0.1	2.4	3.0	6.9	(3.5)
LIBOR (3M)*	1.90	0	1	0	(27)	(89)
INR 5Y Swap*	6.65	7	12	19	27	(55)
India FII data (US\$ mn)						
	16 Dec	13 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	40.9	(213.8)	40.9	(319.8)	3,925.0	3,380.4
FII-Equity	122.6	16.6	122.6	45.7	13,418.0	6,572.8

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

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