

MACRO DAILY

18 February 2020

Macro developments

- Government has suggested changes to incentivise Vivaad se Vishwas scheme to resolve pending tax disputes worth Rs 9.32tn. For appeals made by taxpayers, entire disputed amount have to be paid till 31 Mar 2020, however the penalty and interest will be waived off. If the amount is paid post 31 Mar 2020, an additional 10% of the disputed amount will be levied. If the appeal is made by tax department, 50% of the disputed amount will be paid by the tax payer before the due date and 55% post the due date.
- China's new home prices rose by 0.2% in Jan'20 vs 0.3% in Dec'19 on MoM basis. The dip was largely owing to COVID-19 outbreak and was most visible in tier 2 and 3 cities. Prices in tier 1 cities rose steadily (0.4% vs 0.2% in Dec'19). On YoY basis, overall prices too eased (6.3% vs 6.6% in Dec'19). It is expected that impact will be pronounced in Feb'20 as new home sales have plummeted more than (-) 90% in the 1st week alone.
- Japan's GDP contracted by (-) 1.6% in Q4CY19 vs 0.1% in Q3CY19. On an annualised basis, the plunge was even deeper at (-) 6.3%, owing to the impact of sales tax hike and Typhoon Hagibis. Thailand's GDP also eased to 1.6% in Q4CY19 vs 2.6% in Q3. In CY19 growth eased to 5-year low of 2.4%. Singapore's GDP forecast has also been downgraded to (-) 0.5-1.5% in CY20 (earlier 0.5-2.5%) due to impact of COVID-19 outbreak.

Dipanwita Mazumdar | Sameer Narang
 chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields traded in a narrow range as fear of COVID-19 still linger and global growth indicators remained weak. Oil prices rose by 0.6% (US\$ 58/bbl) over supply disruption in Libya. India's 10Y yield rose by 2bps (6.39%) due to selling by PSBs and MFs. It is trading at 6.4% today.
- Currency:** Global currencies closed mixed. JPY depreciated by (-) 0.1% as Japan's Q4CY19 GDP disappointed. GBP too ended lower by (-) 0.3% ahead of Brexit trade negotiations. INR rose by 0.1%. However, it is trading lower today in line with other Asian currencies.
- Equity:** Barring Nikkei and Sensex, global indices closed higher after PBOC reduced rates. However, Sensex (-0.5%) too slipped in red with oil & gas stocks falling the most. 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 | 1.58 | 0 | 2 | (24) | (23) | (108) |
| UK | 0.64 | 1 | 8 | 1 | (11) | (53) |
| Japan | (0.03) | (1) | 2 | (4) | 4 | (1) |
| Germany | (0.40) | 0 | 1 | (19) | (7) | (51) |
| India | 6.39 | 2 | (5) | (24) | (9) | (98) |
| China | 2.89 | 3 | 10 | (20) | (30) | (22) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.43 | 0 | 3 | (13) | (17) | (109) |
| UK | 0.55 | 1 | 6 | 13 | (2) | (18) |
| Japan | (0.14) | (1) | 2 | (1) | 6 | 3 |
| Germany | (0.65) | 0 | (1) | (6) | (3) | (8) |
| India | 5.69 | (2) | (7) | (48) | 22 | (105) |
| China | 2.23 | (7) | (5) | (42) | (36) | (19) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.0836 | 0 | (0.7) | (2.3) | (2.1) | (4.2) |
| GBP | 1.3008 | (0.3) | 0.7 | (0.1) | 0.4 | 0.6 |
| JPY | 109.88 | (0.1) | (0.1) | 0.2 | (1.1) | 0.7 |
| AUD | 0.6714 | 0 | 0.4 | (2.4) | (1.4) | (5.8) |
| INR | 71.29 | 0.1 | 0 | (0.3) | 0.8 | 0.1 |
| CNY | 6.9813 | 0.1 | 0 | (1.8) | 0.6 | (3.2) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow# | 29,398 | (0.1) | 0.4 | 0.2 | 4.9 | 13.6 |
| FTSE | 7,433 | 0.3 | (0.2) | (3.1) | 1.7 | 3.0 |
| DAX | 13,784 | 0.3 | 2.1 | 1.9 | 4.4 | 22.0 |
| NIKKEI | 23,523 | (0.7) | (0.7) | (2.2) | 0.5 | 10.5 |
| Shanghai Comp | 2,984 | 2.3 | 3.2 | (3.0) | 2.6 | 8.3 |
| SENSEX | 41,056 | (0.5) | 0.2 | (2.1) | 1.9 | 15.7 |
| Brent (US\$/bbl) | 57.67 | 0.6 | 8.3 | (11.1) | (7.6) | (13.3) |
| Gold (US\$/oz) | 1,581 | (0.2) | 0.6 | 1.5 | 7.4 | 19.2 |
| CRB Index | 401.1 | (0.2) | (0.1) | (2.3) | 3.1 | (3.0) |
| Rogers Agri Index | 736.7 | (0.2) | (0.2) | (3.6) | 1.6 | (3.5) |
| LIBOR (3M)* | 1.69 | 0 | (2) | (13) | (21) | (95) |
| INR 5Y Swap* | 6.40 | 2 | (5) | (38) | (7) | (65) |
| India FII data (US\$ mn) | | | | | | |
| | 14 Feb | 13 Feb | WTD | MTD | CYTD | FYTD |
| FII-Debt | 185.1 | 453.7 | 848.4 | 1,974.9 | 406.1 | 3,350.2 |
| FII-Equity | (160.0) | 92.8 | 72.1 | 1,916.3 | 3,288.9 | 10,678.1 |

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, #Dow was closed on 17.02.2020

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com