

MACRO DAILY

18 March 2020

Macro developments

- Centre's direct tax collections on FYTD basis reached Rs 8.6tn as of Feb'20 vs FY20RE of Rs 11.7tn. Indirect tax collections at Rs 8.8tn are however slightly closer to the FY20RE of Rs 9.9tn on the back of steady GST collections. With business operations getting impacted in Mar'20, we expect shortfall in direct tax collections (currently at Rs 3.1tn).
- Retail sales in the US declined by (-) 0.5% in Feb'20 vs 0.6% in Jan'20, on MoM basis, driven by muted demand due to COVID-19. Sales in the control group; a better gauge of consumption demand remained flat. On the other hand, US industrial production rose by 0.6% in Feb'20 vs (-) 0.5% decline in Jan'20. This was on the back of sharp increase in utilities (7.1% in Feb'20 vs -4.9% in Jan'20) due to seasonality factor.
- Germany's ZEW economic sentiment index fell by 58.2 points (sharpest drop since Dec'91) to (-) 49.5 points in Mar'20. The considerable worsening of investor sentiment (similar to levels seen in CY08) is on account of global outbreak of COVID-19 and its economic impact. GDP is expected to contract in Q1 and Q2 of CY20, and the full year impact is estimated at ~100bps decline.

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Markets

- Bonds:** Global yields closed higher over liquidity support from Fed to combat economic downturn from COVID-19. US 10Y yield rose by 36bps (1.08%) as more fiscal stimulus worth US\$ 1tn may be forthcoming. Oil prices fell by (-) 4.4% (US\$ 29/bbl). India's 10Y yield rose by 6bps (6.26%), following global cues. It is trading higher at 6.28% today.
- Currency:** Except INR, other global currencies edged lower. DXY rose by 1.5% after US announced several stimulus measures to combat the impact of COVID-19. EUR fell by (-) 1.7% as Germany's economic sentiment fell sharply. INR rose by 0.1%. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp and Sensex, global indices closed higher. Dow gained by 5.2% on hopes of possible stimulus worth US\$ 1tn from the government. However, Sensex (-2.6%) slipped led by concerns around COVID-19 with banking stocks being the worst hit. It is trading lower today; while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.08	36	28	(51)	(80)	(153)
UK	0.55	12	31	(7)	(21)	(63)
Japan	0.02	0	7	5	2	6
Germany	(0.43)	3	36	(3)	(14)	(53)
India	6.26	6	20	(11)	(49)	(111)
China	2.72	5	11	(15)	(51)	(42)
2Y yields (Δ bps)						
US	0.49	13	(4)	(94)	(113)	(198)
UK	0.31	5	15	(23)	(22)	(44)
Japan	(0.17)	(1)	7	(4)	(6)	(1)
Germany	(0.84)	4	11	(19)	(20)	(32)
India	5.60	19	32	(11)	(22)	(101)
China	1.96	(1)	(34)	(33)	(63)	(46)
Currencies (Δ %)						
EUR	1.0997	(1.7)	(2.5)	1.5	(1.4)	(3.1)
GBP	1.2055	(1.8)	(6.6)	(7.6)	(8.2)	(9.1)
JPY	107.70	(1.8)	(2.0)	1.9	1.6	3.3
AUD	0.6000	(1.9)	(7.8)	(10.6)	(12.4)	(15.3)
INR	74.21	0.1	(0.2)	(4.0)	(4.6)	(7.6)
CNY	7.0057	(0.2)	(0.7)	(0.3)	(0.1)	(4.4)
Equity & Other indices (Δ %)						
Dow	21,237	5.2	(15.1)	(27.8)	(24.9)	(18.0)
FTSE	5,295	2.8	(11.2)	(28.5)	(29.6)	(27.7)
DAX	8,939	2.3	(14.7)	(35.0)	(32.7)	(24.2)
NIKKEI	17,012	0.1	(14.4)	(28.2)	(29.3)	(21.1)
Shanghai Comp	2,780	(0.3)	(7.2)	(4.7)	(8.0)	(10.1)
SENSEX	30,579	(2.6)	(14.2)	(25.9)	(26.1)	(20.3)
Brent (US\$/bbl)	28.73	(4.4)	(22.8)	(49.9)	(56.5)	(57.5)
Gold (US\$/oz)	1,528	0.9	(7.3)	(3.5)	3.5	17.0
CRB Index	377.2	(0.9)	(4.7)	(6.0)	(5.4)	(10.3)
Rogers Agri Index	651.2	(0.1)	(6.1)	(11.6)	(13.1)	(14.0)
LIBOR (3M)*	0.89	5	12	(80)	(101)	(172)
INR 5Y Swap*	5.66	0	(3)	(72)	(98)	(89)
India FII data (US\$ mn)						
	16 Mar	13 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(1,542.3)	(874.6)	(1,542.3)	(4,019.3)	(5,586.4)	(2,642.2)
FII-Equity	(632.8)	(910.1)	(632.8)	(4,452.4)	(2,665.5)	4,723.7

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

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