

MACRO DAILY

19 December 2019

Macro developments

- GST Council in its meeting decided to keep a uniform tax rate on lottery at 28% and standardise rates on woven and non-woven bags (18%). Concerns were raised regarding delays in compensation cess paid to states. Recently Centre has released Rs 353bn as compensation to states for Aug-Sep'19 period. Dip in revenues of states has also led them to demand 1% (of GDP) relaxation in their fiscal deficit targets to 4%.
- RBI reported that currency in circulation (CIC) increased by Rs 97.8bn and stood at Rs 22.8tn for the week ending 13 Dec 2019. Reserve money rose by 9.7% on a YoY basis, compared with 17.7% a year ago. On a FYTD basis, reserve money increased by 4.2% as against 8.7% last year.
- BoJ has voted to keep its policy rate unchanged (0% and -0.1%) and also continue with its asset purchase program. However, BoJ admits external risks to domestic growth as significant. It will also watch the impact of fiscal policy easing on growth and inflation before it decides to act on monetary policy. Recently the government announced fiscal stimulus in its budget for FY starting Apr'20, thus expecting to boost growth to 1.4% next year.

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Markets

- **Bonds:** Apart from Japan and India, global yields closed higher, following progress in US-China trade deal and a jump in Germany's IFO index. US 10Y yield rose by 4bps (1.92%). Oil prices rose by 0.1% (US\$ 66/bbl) led by drop in US inventories. India's 10Y yield fell by 4bps to 6.71% as investors await cues from MPC minutes. It is trading higher at 6.74% today.
- **Currency:** Except AUD and INR (closed stable), global currencies depreciated amidst fears of a chaotic Brexit. DXY rose by 0.2% over better manufacturing print in the US. INR is stable in today's session in line with other Asian currencies.
- **Equity:** Except FTSE and Sensex, other global indices ended lower as fears of no-deal Brexit resurfaced. Dax fell by (-) 0.5% despite Germany's IFO rising more than anticipated. However, Sensex ended in green led by metal and realty 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	1.92	4	13	10	12	(84)
UK	0.78	1	0	3	13	(50)
Japan	(0.01)	(1)	(2)	7	17	(5)
Germany	(0.25)	5	7	9	26	(49)
India	6.71	(4)	(5)	23	9	(51)
China	3.24	1	5	5	11	(12)
2Y yields (Δ bps)						
US	1.63	1	2	3	(13)	(102)
UK	0.52	(1)	(5)	(5)	1	(21)
Japan	(0.12)	0	0	8	15	3
Germany	(0.63)	1	1	(1)	9	(3)
India	5.79	(3)	2	32	4	(110)
China	2.59	0	(1)	(6)	2	9
Currencies (Δ %)						
EUR	1.1114	(0.3)	(0.1)	0.4	0.8	(2.3)
GBP	1.3078	(0.4)	(0.9)	1.0	4.9	3.7
JPY	109.55	(0.1)	(0.9)	(0.8)	(1.0)	2.6
AUD	0.6853	0	(0.3)	0.6	0.4	(3.6)
INR	70.97	0	(0.2)	1.2	0.4	(0.8)
CNY	7.0050	(0.1)	0.5	0.3	1.1	(1.7)
Equity & Other indices (Δ %)						
Dow	28,239	(0.1)	1.2	0.7	4.0	21.1
FTSE	7,541	0.2	4.5	3.2	3.1	11.5
DAX	13,222	(0.5)	0.6	0.1	6.7	22.8
NIKKEI	23,934	(0.5)	2.3	2.2	9.0	14.0
Shanghai Comp	3,017	(0.2)	3.2	3.7	1.1	18.3
SENSEX	41,559	0.5	2.8	3.2	13.7	13.9
Brent (US\$/bbl)	66.17	0.1	3.8	6.0	4.0	15.6
Gold (US\$/oz)	1,475	(0.1)	0	0.3	(1.2)	18.7
CRB Index	398.1	(0.2)	1.1	2.4	3.7	(3.6)
Rogers Agri Index	746.8	(0.3)	2.6	3.0	6.5	(3.3)
LIBOR (3M)*	1.90	0	2	0	(25)	(89)
INR 5Y Swap*	6.63	(1)	8	16	36	(51)
India FII data (US\$ mn)						
	17 Dec	16 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(86.7)	40.9	(45.8)	(406.5)	3,838.3	3,293.7
FII-Equity	170.9	122.6	293.5	216.6	13,589.0	6,743.8

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

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