

MACRO DAILY

01 July 2020

Macro developments

- Central government tax revenues continue to remain weak as direct tax collections fell by 14.6% in FYTD21 (Apr-May) versus 12.1% rise in the same period last year. It is led by 41% decline in income tax collections versus 15% increase last year. Indirect tax collections also fell by 52% in FYTD21 versus 3.9% dip in FYTD20. News reports indicate that GST collections for May'20 so far stand at Rs 439bn vs Rs 495bn in Apr'20.
- India's infrastructure index contracted for 3rd straight month, albeit at a slower pace by 23.4% in May'20 from 37% in Apr'20. Barring expansion in fertilizer production by 7.5% in May'20 from a decline of 4.5% in Apr'20, other sectors, continued to register negative growth. Separately, PM Garib Kalyan Yojana for distributing free foodgrain to poor has been extended till Nov'20 with additional expenditure of Rs 900bn.
- US consumer confidence index rose more than anticipated to 98.1 in Jun'20 (est.: 90.5) against 85.9 in May'20. Both the present situation and expectation index rose considerably. This was on account of gradual reopening of the economy and improvement in employment scenario.

Jahnavi | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed amidst rising cases in the US and Beijing unveiling a new national security law for Hong Kong. US 10Y yield rose by 3bps (0.66%) as macro prints showed signs of improvement. Crude prices fell by 1.3% (US\$ 41/bbl) amidst reports of Libya trying to resume exports. India's 10Y yield fell by 2bps (5.89%) supported by RBI's Operation twist announcement. It is trading at 5.88% today.
- Currency:** Barring JPY and EUR, other global currencies closed higher. DXY fell by 0.1% as US health officials warned of risks due to rising COVID-19 cases in the country. GBP rose by 0.8%. INR also rose by 0.1%. It is trading further higher today in line with other Asian currencies.
- Equity:** Barring FTSE and Sensex, other global indices ended higher led by better than expected data print from US (consumer confidence) and China (PMI). Nikkei (1.3%) rose the most. However, Sensex (0.1%) declined and was dragged down by oil and gas stocks. It is trading higher 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	0.66	3	(6)	0	(1)	(132)
UK	0.17	1	(4)	(1)	(18)	(55)
Japan	0.03	1	1	2	1	17
Germany	(0.45)	2	(5)	(1)	2	(9)
India	5.89	(2)	(2)	12	(25)	(96)
China	2.85	(1)	(6)	16	27	(32)
2Y yields (Δ bps)						
US	0.15	0	(4)	(1)	(10)	(161)
UK	(0.08)	0	(2)	(4)	(22)	(61)
Japan	(0.13)	(1)	0	2	0	8
Germany	(0.69)	0	(3)	(3)	0	7
India	4.21	(3)	(12)	(18)	(106)	(205)
China	2.11	(3)	(12)	55	40	(49)
Currencies (Δ %)						
EUR	1.1234	(0.1)	(0.7)	1.2	1.8	(0.5)
GBP	1.2401	0.8	(1.0)	0.5	(0.2)	(1.5)
JPY	107.93	(0.3)	(1.3)	(0.1)	(0.4)	(0.0)
AUD	0.6903	0.5	(0.4)	3.5	12.6	(1.3)
INR	75.51	0.1	0.2	0.1	0.0	(9.5)
CNY	7.0640	0.2	(0.1)	1.0	0.3	(2.8)
Equity & Other indices (Δ %)						
Dow	25,813	0.8	(1.3)	1.7	17.8	(3.6)
FTSE	6,170	(0.9)	(2.4)	1.5	8.8	(18.4)
DAX	12,311	0.6	(1.7)	6.2	23.9	(1.7)
NIKKEI	22,288	1.3	(1.2)	1.9	17.8	2.5
Shanghai Comp	2,985	0.8	0.5	4.6	8.5	(1.9)
SENSEX	34,916	(0.1)	(1.5)	7.7	18.5	(12.3)
Brent (US\$/bbl)	41.15	(1.3)	(3.5)	16.5	81.0	(34.1)
Gold (US\$/oz)	1,781	0.5	0.7	2.9	12.9	25.5
CRB Index	360.1	0.3	(0.7)	(1.9)	(2.7)	(10.8)
Rogers Agri Index	675.2	1.5	0.4	0.9	2.0	(9.0)
LIBOR (3M)*	0.30	(1)	0	(5)	(115)	(202)
INR 5Y Swap*	5.28	0	2	15	(55)	(145)
India FII data (US\$ mn)						
	29 Jun	26 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	129.1	27.0	129.1	(223.6)	(14,278.9)	(4,519.4)
FII-Equity	(13.8)	(126.9)	(13.8)	2,730.3	(2,184.2)	4,418.7

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com