

MACRO DAILY

24 December 2019

Macro developments

- According to news reports, central government is expected to report Rs 630bn shortfall in GST cess collections. In view of consumption slowdown, states have reportedly demanded Rs 1.6tn as GST compensation vs centre's estimated collection of Rs 968bn. On FYTD basis (Apr-Oct'19), only Rs 555bn has been received as GST cess.
- US durable goods orders fell by (-) 2% in Nov'19 (est.: 1.5%) vs 0.2% in Oct'19, on MoM basis, due to drop in orders of transportation equipment. Non-defence capital goods excluding aircraft moderated to 0.1% vs 1.1% in Oct'19. In a separate print, US new home sales rose by 1.3% in Nov'19 to 719,000 units vs 710,000 in Oct'19, supported by lower mortgage rates.
- BoJ minutes revealed that members will continue to track the domestic economy as downward risks to global growth persist. Members also emphasized cooperation with government along with monetary policy as it prepares for the possible economic downturn. In its last meeting, BoJ kept interest rates unchanged, but raised the likelihood of monetary easing in the future if the need arises.

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Markets

- **Bonds:** Global yields closed mixed amidst Brexit uncertainty and trade developments (China slashing tariffs on over 850 products). US 10Y yield edged a tad by 1bps (1.93%). Oil prices rose by 0.4% (US\$ 66/bbl) as supply cut is anticipated from OPEC+ producers. India's 10Y yield fell by 3bps (6.57%) supported by RBI's decision to conduct special OMO. It is trading flat today.
- **Currency:** Global currencies closed mixed. GBP depreciated by (-) 0.5% over Brexit concerns. DXY and JPY were stable. INR fell by (-) 0.1% amidst rising oil prices (US\$ 66/bbl). It is trading lower today while Asian currencies are mostly stable.
- **Equity:** Global indices closed mixed. Dow rose by 0.3%, to a lifetime-high on growing optimism over US-China trade deal. However, Shanghai Comp fell by (-) 1.4% on reports that China's state backed semiconductor fund is looking to cut funding to some tech firms. Sensex ended marginally lower by (-) 0.1%. It is trading higher today, while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.93	1	6	16	20	(81)
UK	0.77	(1)	(5)	7	22	(49)
Japan	0.02	0	3	9	22	(3)
Germany	(0.24)	1	4	12	34	(49)
India	6.57	(3)	(23)	7	(18)	(72)
China	3.17	(3)	(3)	(1)	6	(19)
2Y yields (Δ bps)						
US	1.65	2	3	2	(3)	(91)
UK	0.56	1	(4)	3	7	(18)
Japan	(0.09)	1	3	9	20	5
Germany	(0.62)	2	1	2	12	(2)
India	5.84	(4)	3	43	5	(102)
China	2.59	0	0	(6)	5	(10)
Currencies (Δ %)						
EUR	1.1089	0.1	(0.5)	0.6	0.9	(2.8)
GBP	1.2936	(0.5)	(3.0)	0.8	4.1	1.8
JPY	109.40	0	0.1	(0.7)	(1.7)	1.0
AUD	0.6922	0.3	0.5	2.0	2.2	(1.8)
INR	71.18	(0.1)	(0.3)	0.7	(0.4)	(1.5)
CNY	7.0128	(0.1)	(0.3)	0.4	1.5	(1.6)
Equity & Other indices (Δ %)						
Dow	28,552	0.3	1.1	2.4	5.9	31.0
FTSE	7,624	0.5	1.4	4.1	4.1	14.0
DAX	13,301	(0.1)	(0.8)	1.0	7.8	25.1
NIKKEI	23,821	0	(0.5)	3.1	7.9	18.1
Shanghai Comp	2,963	(1.4)	(0.7)	2.7	(0.5)	17.2
SENSEX	41,643	(0.1)	1.7	3.2	6.5	17.4
Brent (US\$/bbl)	66.39	0.4	1.6	4.7	2.5	31.5
Gold (US\$/oz)	1,486	0.5	0.7	1.6	(2.4)	17.1
CRB Index	398.6	0.1	(0.1)	2.9	3.2	(2.9)
Rogers Agri Index	747.0	0	(0.2)	3.1	6.2	(1.9)
LIBOR (3M)*	1.93	1	4	2	(17)	(88)
INR 5Y Swap*	6.63	0	5	21	23	(56)
India FII data (US\$ mn)						
	20 Dec	19 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(449.8)	(204.6)	(635.7)	(996.3)	3,248.4	2,703.8
FII-Equity	66.4	117.7	738.2	661.3	14,033.7	7,188.5

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

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