

MACRO DAILY

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Macro developments

- Total GST collections for Jun'19 reached Rs 1tn vs Rs 999bn in May'19. This was driven by 14.4% jump in CGST on a YoY basis and 15.2% increase in SGST. However IGST collections fell by (-) 60.4% while cess collections rose by only 0.1%. In Q1FY20, total collections are at Rs 3tn vs Rs 2.9tn in the same period last year (+5.7%). This run rate is however much lower than government's targeted rate of 13.6% for FY20.
- Bank of England (BoE) kept policy rate unchanged at 0.75% in its latest meeting. However, growth forecast has been slashed to 1.3% for both CY19 and CY20 as against 1.5% and 1.6% projected earlier. This has been on the back of muted global growth. Newspaper reports also quoted that BoE sees 33% risk of recession due to Brexit uncertainty.
- Global manufacturing activity contracted further in Jul'19 (49.3 vs 49.4 in Jun'19). Faster contraction was visible across regions - Eurozone (in particular Germany & France), UK and Japan, led by declining new orders. US ISM index too eased marginally in Jul'19 (51.2 vs 51.7 in Jun'19). India however remains a bright spot with PMI at 52.5 vs 52.1 in Jun'19, led by revival in factory orders, raw material purchases and job creation.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed as US announced additional 10% tariff on US\$ 300bn Chinese imports w.e.f 1 Sep 2019. US 10Y yield fell by (-) 12bps to its lowest since Nov'16 at 1.89%. Crude prices declined by (-) 7.2% (US\$ 61/bbl) as renewed trade tensions ignited fears of growth slowdown. India's 10Y yield rose by 5bps (6.42%). However, it is trading 9bps lower (6.33%) today on concerns of muted global growth.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.1% after US further escalated its tariff war with China. As a result, JPY rose sharply by 1.3%. INR depreciated by (-) 0.4%. It opened further weaker today in line with other Asian currencies.
- Equity:** Global indices ended mixed as trade tensions rose with US announcing additional tariffs on China. As a result, Dow and Shanghai Comp fell by (-) 1% and (-) 0.8% respectively. However, Dax rose by 0.5% after BoE held rates steady. Sensex fell by (-) 1.2% led by subdued global cues. 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	1.89	(12)	(19)	(13)	(65)	(109)
UK	0.59	(2)	(12)	(22)	(59)	(78)
Japan	(0.13)	2	2	2	(9)	(26)
Germany	(0.45)	(1)	(9)	(9)	(48)	(91)
India	6.42	5	(9)	(46)	(97)	(130)
China	3.15	(1)	(2)	(8)	(25)	(33)
2Y yields (Δ bps)						
US	1.73	(14)	(13)	(5)	(61)	(93)
UK	0.45	2	(6)	(16)	(32)	(34)
Japan	(0.18)	2	2	3	(3)	(8)
Germany	(0.78)	0	(2)	(2)	(19)	(21)
India	6.01	(1)	(8)	(27)	(76)	(148)
China**	2.58	0	(1)	(4)	(8)	(22)
Currencies (Δ %)						
EUR	1.1085	0.1	(0.6)	(1.8)	(0.8)	(4.3)
GBP	1.2128	(0.3)	(2.6)	(4.1)	(6.9)	(6.8)
JPY	107.34	1.3	1.2	1.0	3.7	3.9
AUD	0.6800	(0.7)	(2.2)	(2.4)	(2.9)	(7.6)
INR	69.06	(0.4)	(0.0)	(0.2)	0.4	(0.5)
CNY	6.8987	(0.2)	(0.4)	(0.7)	(2.4)	(0.8)
Equity & Other indices (Δ %)						
DOW	26,583	(1.0)	(2.1)	(0.5)	1.0	5.0
FTSE	7,585	0	1.3	1.2	3.2	0.1
DAX	12,253	0.5	(0.9)	(2.1)	(0.7)	(2.3)
NIKKEI	21,541	0.1	(1.0)	(0.9)	(3.2)	(4.3)
Shanghai Comp	2,909	(0.8)	(1.0)	(4.5)	(5.5)	5.1
SENSEX	37,018	(1.2)	(2.1)	(6.7)	(5.0)	(0.4)
Brent (USD/bbl)	60.50	(7.2)	(4.6)	(7.0)	(14.5)	(17.6)
Gold (USD/oz)	1,445	2.2	2.2	4.4	13.7	19.7
CRB Index	402.1	(0.3)	(1.3)	(1.0)	(3.9)	(6.0)
Rogers Agri Index	712.1	(1.2)	(3.2)	(4.6)	(1.5)	(12.5)
LIBOR (3M)*	2.27	1	1	(7)	(30)	(7)
INR 5Yr Swap*	6.60	2	0	(11)	(63)	(104)
India FII data (US\$ mn)						
	31 Jul	30 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	123.5	37.0	143.0	1,225.7	2,654.0	2,109.3
FII-Equity	(212.9)	(98.2)	(365.4)	(1,934.2)	9,404.6	2,559.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** as on 16.07.2019.

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com