

MACRO DAILY

02 January 2020

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 17.8bn and stood at Rs 22.7tn for the week ending 27 Dec 2019. Reserve money rose by 10.2% on a YoY basis, compared with 17% a year ago. On a FYTD basis, reserve money increased by 4.1% as against 8.2% last year.
- Total GST collections for Nov'19 remained unchanged from Oct'19 at Rs 1.03tn. After adjusting for IGST, CGST collections rose by 26.9% on a YoY basis vs (-) 22.6% in Oct'19, while SGST collections jumped by 20.1% vs (-) 32.4% in Oct'19. On a FYTD basis, CGST collections are at Rs 3.3tn vs BE of Rs 5.3tn. In comparison, SGST is at Rs 4tn vs BE of Rs 6.1tn.
- PBOC has reduced the Reserve Requirement Ratio (RRR) by 50bps to 12.5% (for big banks) w.e.f. 6 Jan. This move is expected to pump in 800bn Yuan (US\$ 115bn) worth of liquidity into the system. It is also expected to help reduce pressure on profit margins of firms in view of recent interest rate reforms. From 1 Jan, the existing floating rate loans were moved to new benchmark rate loans, to lower credit cost of borrowers.

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Markets

- **Bonds:** Except India, most of the markets were closed in the truncated week. Crude is trading higher today at US\$ 66/bbl on account of renewed optimism over US-China trade deal and rising tensions in the Middle East. India's 10Y yield closed lower by 5bps (6.51%) supported by buying from private banks and MFs. It is trading at 6.50% today.
- **Currency:** Global currencies were mixed as trading volumes remained thin. DXY rose by 0.1% after depreciating for four straight session. CNY rose by 0.3%. JPY and AUD depreciated by (-) 0.1%. INR rose by 0.2%. However, in line with other Asian currencies, it is trading lower today.
- **Equity:** Most of the global indices were closed on account of the New Year. Shanghai Comp gained by 0.3% with PBOC announcing lowering of RRR. Sensex too rose by 0.1% led by announcement of infra projects, with power and capital goods stocks advancing the most. It was supported by DII inflow of Rs 2bn. 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	1.92	4	2	14	32	(70)
UK	0.82	(5)	5	13	32	(39)
Japan	(0.01)	0	1	6	15	(1)
Germany	(0.19)	0	6	17	36	(35)
India	6.51	(5)	(7)	4	(16)	(85)
China	3.14	0	(2)	(3)	0	(3)
2Y yields (Δ bps)						
US	1.57	0	(5)	(4)	9	(90)
UK	0.55	(5)	(2)	0	16	(17)
Japan	(0.13)	0	(2)	4	17	1
Germany	(0.60)	0	2	3	16	1
India	5.77	0	(4)	43	7	(105)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1212	0	1.1	1.8	2.3	(1.2)
GBP	1.3254	0	2.3	2.5	7.7	5.1
JPY	108.76	(0.1)	0.6	0.7	(1.5)	0.1
AUD	0.7017	(0.1)	1.4	3.8	4.6	0.5
INR	71.23	0.2	0.1	0.7	(0.2)	(1.5)
CNY	6.9632	0.3	0.6	1.0	2.6	(1.5)
Equity & Other indices (Δ %)						
Dow	28,538	0.3	0.1	1.7	9.4	22.2
FTSE	7,542	(0.6)	(1.2)	2.7	5.9	12.0
DAX	13,249	(0.7)	(0.4)	0.1	11.1	25.2
NIKKEI	23,657	(0.8)	(0.7)	1.6	8.6	18.2
Shanghai Comp	3,050	0.3	2.3	6.2	5.0	23.7
SENSEX	41,306	0.1	(0.4)	1.3	7.8	15.1
Brent (US\$/bbl)	66.00	(3.6)	(1.8)	5.7	14.4	20.2
Gold (US\$/oz)	1,517	0	1.2	3.6	1.2	18.1
CRB Index	401.6	(0.2)	0.7	3.9	3.4	(1.9)
Rogers Agri Index	758.3	(0.1)	1.4	4.0	6.7	0.1
LIBOR (3M)*	1.91	0	(5)	0	(15)	(89)
INR 5Y Swap*	6.65	(8)	(2)	30	27	(55)
India FII data (US\$ mn)						
	31 Dec	30 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(76.2)	(156.9)	240.3	(756.0)	3,488.8	2,944.1
FII-Equity	(276.7)	39.1	200.7	862.0	14,234.4	7,389.2

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | All markets as on last trading day.

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