

MACRO DAILY

31 January 2020

Macro developments

- According to news reports, the government has collected over Rs 380bn in taxes under the Sabka Vishwas scheme (legacy dispute resolution) vs target of Rs 350 bn. The tax amnesty scheme announced in the FY19 budget is expected to help taxpayers clear disputes under legacy taxes (service and central excise) which has now been subsumed under GST.
- US GDP grew by 2.1% in Q4CY19, same as Q3 in line with estimates supported by both personal and government spending and lower imports. GDP grew at its slowest pace in 3-years in CY19 at 2.3% (2.9% in CY18), despite tax cuts worth US\$ 1.5tn unveiled by the government to lift growth. Separately, jobless claims (25 Jan) fell sharply by 7,000 to 216,000 suggesting continued labour market strength.
- In line with US Fed, Bank of England too in its first policy meet for CY20 kept rates unchanged. However, the Board trimmed its growth forecast from 1.3% in CY20 to 0.8% and inching back to 1.5% in CY21. Uncertainty over the future business investment in the wake of Brexit and lower immigration will continue to weigh in on growth.

Jahnvi | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Barring US and UK, global yields closed lower on fears that the coronavirus outbreak may impact global growth. US 10Y yield closed flat near a 3-month low. UK 10Y yield rose by 3bps as BoE left policy rate unchanged. Oil prices fell by (-) 2.5% (US\$ 58/bbl). Thus, India's 10Y yield eased by 2bps (6.56%). However, it is trading higher at 6.58% today.
- **Currency:** Global currencies closed mixed. DXY fell by (-) 0.1% as US CY19 GDP growth slowed to a 3-year low. GBP rose by 0.6% after BoE kept interest rate on hold. INR depreciated by (-) 0.3%. However, it is trading higher today in line with other Asian currencies.
- **Equity:** Except Dow, other global indices ended lower as fear of coronavirus escalated. Amongst other indices, Nikkei (-1.7%) dropped the most. Sensex too slipped by (-) 0.7%, led by oil & gas stocks. It is trading higher today in line with other Asian stocks as China's manufacturing PMI was in line with expectations.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.59	0	(15)	(29)	(11)	(104)
UK	0.54	3	(5)	(33)	(9)	(68)
Japan	(0.06)	(2)	(4)	(5)	8	(6)
Germany	(0.41)	(3)	(10)	(22)	0	(56)
India	6.56	(2)	(4)	1	11	(73)
China	3.00	(2)	(9)	(14)	(28)	(10)
2Y yields (Δ bps)						
US	1.41	0	(10)	(15)	(11)	(104)
UK	0.51	8	8	(9)	0	(25)
Japan	(0.14)	(1)	(2)	(1)	9	2
Germany	(0.66)	(2)	(5)	(6)	0	(9)
India	6.08	(1)	(5)	26	59	(85)
China	2.23	(7)	(5)	(42)	(43)	(20)
Currencies (Δ %)						
EUR	1.1032	0.2	(0.2)	(1.5)	(1.1)	(3.6)
GBP	1.3093	0.6	(0.2)	(0.2)	1.2	(0.1)
JPY	108.96	0.1	0.5	(0.1)	(0.9)	(0.1)
AUD	0.6722	(0.5)	(1.8)	(3.9)	(2.5)	(7.6)
INR	71.49	(0.3)	(0.3)	(0.2)	(0.8)	(0.6)
CNY	6.9426	(0.5)	(0.9)	0.6	1.4	(3.6)
Equity & Other indices (Δ %)						
Dow	28,859	0.4	(1.0)	1.4	6.7	15.4
FTSE	7,382	(1.4)	(1.7)	(2.7)	1.8	5.9
DAX	13,157	(1.4)	(1.7)	(0.7)	2.3	17.8
NIKKEI	22,978	(1.7)	(3.4)	(2.9)	0.2	10.6
Shanghai Comp	2,977	(2.8)	(3.2)	(2.1)	1.6	15.2
SENSEX	40,914	(0.7)	(1.1)	(1.6)	2.0	12.8
Brent (US\$/bbl)	58.29	(2.5)	(6.0)	(14.8)	(3.2)	(5.8)
Gold (US\$/oz)	1,574	(0.2)	0.7	3.9	4.1	19.2
CRB Index	404.6	(0.3)	(1.0)	0.6	3.9	(2.0)
Rogers Agri Index	739.6	(0.9)	(2.9)	(2.6)	1.5	(4.7)
LIBOR (3M)*	1.77	(1)	(4)	(14)	(13)	(97)
INR 5Y Swap*	6.70	(1)	(5)	(4)	17	(48)
India FII data (US\$ mn)						
	29 Jan	28 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	41.2	(171.6)	(154.5)	(1,596.7)	(1,596.7)	1,347.4
FII-Equity	(202.6)	(110.2)	(337.2)	1,897.0	1,897.0	9,286.2

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Markets in China remain closed on account of Lunar New Year.

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com