

## MACRO DAILY

03 September 2019

### Macro developments

- India's eight core industries rose by 2.1% in Jul'19 compared with 0.7% in Jun'19. It was largely led by revival in cement output which was up by 7.9% in Jul'19 from (-) 1.7% in Jun'19. However, on a FYTD basis, the overall pace of growth for eight core has slowed to 3% in Apr-Jul'19 (5.9% in Apr-Jul'18). In addition, manufacturing PMI tumbled to a 15-month low at 51.4 in Aug'19 from 52.5 in Jul'19 on the back of slower increase in output, employment and sales level.
- Total GST collections for Jul'19 fell to Rs 982bn (+4.5%) from Rs 1tn in Jun'19 (+5.8%). The decline was seen in both CGST (-58.4%) and SGST (-40.3%) collections on a YoY basis. The FYTD average run-rate of CSGT is also running lower (Rs 352bn) compared with last year (Rs 373bn). Though SGST collections are running at par (Rs 475bn vs Rs 479bn last year).
- Global manufacturing PMI indicates manufacturing activity continues to remain weak in Eurozone (particularly Germany), Japan and UK. PMI indices continue to remain below 50 on account of flagging external demand, production cutbacks and job cuts. Trade tensions (US-China, Japan-Korea) and subdued global growth are key factors behind this trend.

Jahnavi | Sameer Narang

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields closed mixed amidst US-China trade frictions, Brexit woes and subdued manufacturing activity globally. US 10Y yield closed stable at 1.5%. Crude prices fell by (-) 2.9% (US\$ 59/bbl) as OPEC's output rose in Aug'19. India's 10Y yield is trading lower at 6.52% today, supported by government's measures.
- Currency:** Except JPY (stable), global currencies closed lower as growth slowdown persisted. EUR depreciated by (-) 0.1% as manufacturing worries continued calling for further stimulus from ECB. Possibility of an early election regarding Brexit led GBP to close lower by (-) 0.7%. INR is trading lower today, in line with other Asian currencies.
- Equity:** Barring Nikkei, global indices closed higher with Shanghai comp surging the most (1.3%), followed by FTSE (1%). Following global cues, Sensex is trading lower today, in line with other Asian stocks ahead of Australia's rate decision.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 1.50          | 0             | (4)        | (35)       | (57)        | (136)       |
| UK                                      | 0.42          | (6)           | (7)        | (14)       | (45)        | (99)        |
| Japan                                   | (0.27)        | 0             | 0          | (10)       | (17)        | (38)        |
| Germany                                 | (0.70)        | 0             | (4)        | (21)       | (50)        | (104)       |
| India                                   | 6.56          | 1             | (1)        | (1)        | (47)        | (139)       |
| China                                   | 3.08          | 2             | 3          | (2)        | (18)        | (52)        |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 1.50          | 0             | (4)        | (21)       | (33)        | (112)       |
| UK                                      | 0.33          | (7)           | (12)       | (11)       | (24)        | (40)        |
| Japan                                   | (0.30)        | 0             | 2          | (9)        | (12)        | (19)        |
| Germany                                 | (0.93)        | 0             | (3)        | (14)       | (28)        | (33)        |
| India                                   | 5.78          | 1             | (2)        | (2)        | (66)        | (192)       |
| China#                                  | 2.58          | 0             | (1)        | (1)        | 6           | (26)        |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.0970        | (0.1)         | (1.2)      | (1.2)      | (2.4)       | (5.6)       |
| GBP                                     | 1.2066        | (0.7)         | (1.2)      | (0.8)      | (4.7)       | (6.2)       |
| JPY                                     | 106.24        | 0             | (0.1)      | 0.3        | 1.7         | 4.3         |
| AUD                                     | 0.6716        | (0.3)         | (0.9)      | (1.2)      | (3.7)       | (6.9)       |
| INR                                     | 71.41         | 0.5           | 0.4        | 0.4        | (2.4)       | (0.6)       |
| CNY                                     | 7.1720        | (0.2)         | (0.3)      | (3.3)      | (3.9)       | (5.1)       |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| Dow                                     | 26,403        | 0.2           | 3.0        | 3.0        | 6.4         | 1.7         |
| FTSE                                    | 7,282         | 1.0           | 2.7        | (1.7)      | 1.4         | (3.0)       |
| DAX                                     | 11,954        | 0.1           | 2.5        | 0.7        | 1.4         | (3.2)       |
| NIKKEI                                  | 20,620        | (0.4)         | 1.8        | (2.2)      | 1.0         | (9.2)       |
| Shanghai Comp                           | 2,924         | 1.3           | 2.1        | 2.0        | 1.2         | 7.5         |
| SENSEX                                  | 37,333        | 0.7           | 1.7        | 1.7        | (6.0)       | (3.4)       |
| Brent (US\$/bbl)                        | 58.66         | (2.9)         | (0.1)      | (5.2)      | (4.3)       | (24.9)      |
| Gold (US\$/oz)                          | 1,529         | 0.6           | 0.1        | 6.1        | 15.4        | 27.3        |
| CRB Index                               | 387.2         | (0.3)         | (1.3)      | (1.3)      | (6.9)       | (5.9)       |
| Rogers Agri Index                       | 682.7         | (0.4)         | 0.1        | 0.1        | (9.2)       | (13.0)      |
| LIBOR (3M)*                             | 2.14          | 1             | (1)        | (1)        | (36)        | (18)        |
| INR 5Y Swap*                            | 6.15          | (3)           | 0          | (40)       | (40)        | (129)       |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>29 Aug</b> | <b>28 Aug</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 102.2         | 15.8          | 521.4      | 1,510.6    | 4,164.5     | 3,619.9     |
| FII-Equity                              | (87.1)        | (176.4)       | (508.9)    | (2,278.7)  | 7,126.0     | 280.8       |

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | #1Y yield | Indian markets were closed on 2.9.19.

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For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)