

MACRO DAILY

04 November 2019

Macro developments

- Total GST collections for Sep'19 rose to Rs 954bn from Rs 919bn in Aug'19. On a MoM basis, SGST and IGST led the increase. However, on a YoY basis, total collections declined by (-5.3%), led by IGST (-12.9%) and cess (-4.9%) collections. Growth in CGST slowed to 6.8% from 8.6% in Aug'19, while SGST growth eased to 3.7% from 7.3% in Aug'19.
- Amidst signs of growing weakness in Indian economy, manufacturing PMI slipped to a 2-year low of 50.6 in Oct'19 from 51.4 in Sep'19. The cool-off was led by softer demand, as both production and factory orders rose at their weakest pace. In addition, job creation also dropped to a 6-month low and business confidence fell to its lowest level in over two and a half years.
- US nonfarm payroll additions rose more than expected by 128,000 in Oct'19 (est.: 85,000) vs 180,000 in Sep'19. Unemployment rate rose marginally to 3.6% in Oct'19 (3.5% in Sep'19). Average hourly earnings rose by 3% in Oct'19 vs 2.9% in Sep'19 on YoY basis. Separately, manufacturing activity remained weak with ISM print at 48.3 vs 47.8 in Sep'19, driven by contraction in new orders, production and employment.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 2bps (1.71%) supported by buoyant labour market conditions. Oil prices rose by 2.4% (US\$ 62/bbl) on expectation of signing of US-China trade deal. India's 10Y yield rose a tad by 1bps (6.66%) due to selling from PSBs and private banks. It is trading at 6.67% today.
- Currency:** Renewed optimism over US-China trade deal led to a decline in safe-haven JPY and DXY with both falling by (-) 0.1%. Other global currencies appreciated, with the exception of GBP and CNY which closed flat. INR rose by 0.2% supported by FII inflows even as oil prices rose. It is trading higher today in line with other Asian currencies.
- Equity:** Barring Nikkei, other global indices closed higher amidst optimism surrounding US-China trade deal and stronger jobs report from US. Dow surged by 1.1% followed by Shanghai Comp (1.0%). Sensex extended its winning streak for 6th day gaining by 0.1%, with real estate and tech stocks gaining the most. 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 | 1.71 | 2 | (8) | 8 | (13) | (150) |
| UK | 0.66 | 3 | (2) | 19 | 11 | (83) |
| Japan | (0.18) | (4) | (4) | (3) | (1) | (31) |
| Germany | (0.38) | 3 | (2) | 18 | 11 | (81) |
| India [^] | 6.66 | 1 | (2) | 0 | 31 | (112) |
| China | 3.27 | (1) | 3 | 13 | 17 | (28) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.55 | 3 | (7) | 1 | (16) | (135) |
| UK | 0.52 | 2 | 0 | 18 | 8 | (28) |
| Japan | (0.26) | (3) | (3) | 2 | (6) | (14) |
| Germany | (0.66) | 0 | 0 | 11 | 13 | (4) |
| India | 5.49 | 0 | (9) | (21) | (47) | (201) |
| China [#] | 2.68 | 2 | 6 | 13 | 14 | (15) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1166 | 0.1 | 0.8 | 2.1 | 0.5 | (1.9) |
| GBP | 1.2946 | 0 | 0.9 | 5.2 | 6.4 | (0.2) |
| JPY | 108.19 | (0.1) | 0.4 | (0.4) | (1.5) | 4.4 |
| AUD | 0.6904 | 0.1 | 1.2 | 3.0 | 1.5 | (4.0) |
| INR | 70.81 | 0.2 | 0.1 | 0.4 | (1.7) | 2.3 |
| CNY | 7.0370 | 0 | 0.4 | 1.6 | (1.4) | (2.1) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,347 | 1.1 | 1.4 | 2.9 | 3.3 | 8.2 |
| FTSE | 7,302 | 0.7 | (0.3) | (0.8) | (1.4) | 2.9 |
| DAX | 12,961 | 0.7 | 0.5 | 5.7 | 9.2 | 12.5 |
| NIKKEI | 22,851 | (0.3) | 0.2 | 4.4 | 8.4 | 2.7 |
| Shanghai Comp | 2,958 | 1.0 | 0.1 | 1.8 | 3.2 | 10.5 |
| SENSEX | 40,165 | 0.1 | 2.8 | 4.9 | 8.2 | 14.7 |
| Brent (US\$/bbl) | 61.69 | 2.4 | (0.5) | 4.8 | (0.3) | (15.3) |
| Gold (US\$/oz) | 1,514 | 0.1 | 0.6 | 2.4 | 5.1 | 22.8 |
| CRB Index | 389.5 | (0.4) | (0.4) | 0.5 | (2.7) | (6.8) |
| Rogers Agri Index | 732.6 | 0.5 | 0.6 | 2.7 | 3.1 | (6.9) |
| LIBOR (3M)* | 1.90 | (1) | (3) | (19) | (34) | (69) |
| INR 5Y Swap* | 6.51 | (3) | (1) | 13 | (5) | (117) |
| India FII data (US\$ mn) | | | | | | |
| | 31 Oct | 30 Oct | WTD | MTD | CYTD | FYTD |
| FII-Debt | 149.2 | 67.4 | 501.8 | 713.4 | 4,686.8 | 4,142.2 |
| FII-Equity | 281.0 | 1,069.8 | 1,565.6 | 2,062.1 | 10,222.8 | 3,377.6 |

Source: Bloomberg, Bank of Baroda | [^]7.26% GS 2029 | *Indicates change in bps | #1Y yield

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