

MACRO DAILY

06 January 2020

Macro developments

- As per news reports, government may propose a litigation settlement scheme on the lines of Sabka Vishwas scheme. Under this, companies may be allowed to put an end to legacy tax disputes by paying 40-50% of the tax demanded. As many as 0.5mn cases are pending amounting to Rs 7-8tn. This will boost centre's net revenue collections which are at Rs 9.8tn in FYTD20 as against BE of Rs 19.6tn.
- US ISM manufacturing PMI fell to a 10-year low of 47.2 in Dec'19 from 48.1 in Nov'19. Decline in new orders index (46.8 vs 47.2), led by new export orders translated into contraction in production (43.2 vs 49.1) and employment (45.1 vs 46.6). Higher commodity prices and global trade frictions remained key concerns. However, after signing of US-China trade deal (phase 1), future business outlook remains optimistic.
- CPI inflation in Germany accelerated to a 5-month high of 1.5% in Dec'19 (est. 1.4%) from 1.1% in Nov'19. The increase was led by food prices which rose by 2.1% vs 1.8% in Nov'19 and easing deflation in energy prices (-0.1% from -3.7% in Nov'19). Despite the increase, inflation remains well below ECB's target of 2%. For CY19, CPI inflation averaged just 1.4%.

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Markets

- Bonds:** Global yields closed mixed amidst tensions between US and Iran. US 10Y yield fell by 9bps (1.79%) as ISM manufacturing index dipped to a 10-year low. Oil prices rose by 3.5% to US\$ 69/bbl. India's 10Y yield rose a tad by 1bps led by selling from foreign and private banks. It is trading higher at 6.54% today.
- Currency:** Except JPY and CNY, global currencies closed lower on the back of geo-political tensions in Middle East. DXY was flat as US manufacturing activity fell in Dec'19. INR depreciated by (-) 0.6% as oil prices rose. It opened at its lowest since Nov'19 today (72.05/\$). Asian currencies are also trading lower.
- Equity:** Barring FTSE and Shanghai Com (flat), global indices closed lower led by escalated tensions in Middle East. Dax (-1.2%) dropped the most followed by Dow (-0.8%). Sensex (-0.8%) too ended in red driven 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	1.79	(9)	(9)	7	26	(88)
UK	0.74	(6)	(2)	7	30	(54)
Japan	(0.01)	0	(1)	1	20	3
Germany	(0.28)	(6)	(2)	7	31	(49)
India	6.52	1	1	5	(17)	(93)
China	3.15	0	1	(5)	0	1
2Y yields (Δ bps)						
US	1.52	(4)	(6)	(1)	12	(97)
UK	0.55	(1)	(1)	5	20	(20)
Japan	(0.13)	0	(1)	2	20	5
Germany	(0.62)	(2)	1	1	16	(2)
India	5.75	(2)	(7)	39	11	(109)
China	2.28	(5)	0	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1161	(0.1)	(0.1)	0.7	1.7	(2.1)
GBP	1.3083	(0.5)	0	0.7	6.1	2.8
JPY	108.09	0.4	1.2	0.5	(1.1)	0.4
AUD	0.6950	(0.6)	(0.4)	1.5	2.6	(2.3)
INR	71.80	(0.6)	(0.6)	(0.2)	(1.3)	(3.0)
CNY	6.9660	0	0.4	1.3	2.6	(1.4)
Equity & Other indices (Δ %)						
Dow	28,635	(0.8)	0	4.1	7.8	22.2
FTSE	7,622	0.2	(0.3)	6.5	6.5	11.5
DAX	13,219	(1.2)	(0.9)	1.8	10.0	22.8
NIKKEI	23,657	(0.8)	(0.8)	1.2	10.5	20.9
Shanghai Comp	3,084	0	2.6	6.9	6.1	22.6
SENSEX	41,465	(0.4)	(0.3)	1.9	10.1	16.2
Brent (US\$/bbl)	68.60	3.5	0.6	12.8	17.5	20.2
Gold (US\$/oz)	1,552	1.5	2.8	5.0	3.2	20.7
CRB Index	401.1	(0.4)	0	4.0	3.2	(2.9)
Rogers Agri Index	753.9	(0.8)	(0.4)	4.3	5.8	(1.8)
LIBOR (3M)*	1.90	(1)	(4)	1	(13)	(90)
INR 5Y Swap*	6.63	(4)	(12)	29	31	(58)
India FII data (US\$ mn)						
	2 Jan	1 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(189.1)	(0.2)	(422.4)	(189.3)	(189.3)	2,754.9
FII-Equity	152.5	50.3	(34.8)	202.9	202.9	7,592.1

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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