

MACRO DAILY

18 July 2019

Macro developments

- RBI reported that currency in circulation increased by Rs 74bn (on a weekly basis) and stood at Rs 22tn as on 12 Jul 2019. Overall reserve money rose by 12.6% on a YoY basis, compared with 21.6% a year ago. On FYTD basis, reserve money is increasing at a slower pace of 0.6% against 2.3% in the previous year.
- CPI inflation in the Euro Area edged up to 1.3% in Jun'19 from 1.2% in May'19 on YoY basis. This was led by services (1.6% vs 1%). Core inflation excl. volatile food and energy rose to 1.3% in Jun'19 vs 1% in May'19. Separately, CPI inflation in UK was steady at 2% in Jun'19 as decline in prices of energy and housing utilities were offset by higher food and clothing prices.
- Bank of Korea (BoK) delivered a surprise rate cut (a first in 3 years) in its policy meet today. The 7-day repo rate now stands at 1.5% vs 1.75% earlier. This decision comes in the wake of slowing exports to China and growing trade frictions with Japan. Japan has imposed export restrictions on chemicals exported to S. Korea, mainly impacting their semiconductor business. As a result, BoK has also lowered its growth forecast for CY19 from 2.5% to 2.2%.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield closed lower by 6bps (2.05%) as weak housing data fuelled hopes of rate cut by Fed. Crude prices declined by (-) 1.1% (US\$ 64/bbl) over developments on US-Iran negotiations. India's 10Y yield rose a tad by 1bps (6.35%) driven by selling from foreign banks. It is trading at 6.37% today.
- **Currency:** Global currencies closed mixed. DXY fell (-) 0.2% on expectations of a rate cut by Fed. GBP recovered from a 27-month low to end higher by 0.2%. INR depreciated by (-) 0.2%. It is trading higher today, in line with other Asian currencies.
- **Equity:** Barring Sensex, other global indices ended lower led by renewed tensions surrounding US-China trade relations. European indices slipped the most, followed by Dow (-0.4%). However, Sensex ended in green (0.2%) pushed up by tech and banking stocks. 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	2.05	(6)	(2)	(5)	(55)	(82)
UK	0.76	(6)	0	(9)	(48)	(47)
Japan	(0.12)	0	0	0	(12)	(17)
Germany	(0.29)	(5)	2	(5)	(37)	(63)
India	6.35	1	(20)	(59)	(105)	(141)
China	3.18	0	0	(6)	(21)	(30)
2Y yields (Δ bps)						
US	1.81	(4)	(2)	(6)	(59)	(80)
UK	0.54	(5)	(3)	(7)	(25)	(20)
Japan	(0.19)	0	(1)	1	(4)	(7)
Germany	(0.75)	(2)	(2)	(6)	(18)	(12)
India	6.10	(2)	(11)	(14)	(59)	(140)
China	2.58	0	(1)	5	(10)	(48)
Currencies (Δ %)						
EUR	1.1224	0.1	(0.2)	0.1	(0.6)	(3.6)
GBP	1.2433	0.2	(0.6)	(0.8)	(4.7)	(4.9)
JPY	107.95	0.3	0.5	0.5	3.7	4.4
AUD	0.7010	0	0.7	2.3	(2.4)	(5.2)
INR	68.82	(0.2)	(0.4)	1.6	1.1	(0.3)
CNY	6.8736	0	0	0.8	(2.8)	(2.3)
Equity & Other indices (Δ %)						
DOW	27,220	(0.4)	1.3	4.2	2.9	8.0
FTSE	7,535	(0.6)	0.1	2.4	0.9	(1.8)
DAX	12,341	(0.7)	(0.3)	2.1	1.5	(3.3)
NIKKEI	21,469	(0.3)	(0.3)	1.6	(3.6)	(5.8)
Shanghai Comp	2,932	(0.2)	0.6	1.5	(10.2)	5.2
SENSEX	39,216	0.2	1.7	0.7	(0.2)	7.8
Brent (USD/bbl)	63.66	(1.1)	(5.0)	4.5	(11.1)	(12.7)
Gold (USD/oz)	1,427	1.4	0.5	6.5	12.0	16.2
CRB Index	404.3	0	0.1	(2.0)	(4.9)	(6.4)
Rogers Agri Index	736.8	(0.1)	(0.8)	(4.2)	(0.8)	(6.5)
LIBOR (3M)*	2.30	0	(4)	(12)	(29)	(5)
INR 5Yr Swap*	6.46	(3)	(5)	(31)	(24)	(124)
India FII data (US\$ mn)						
	16 Jul	15 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	114.9	153.0	267.9	1,328.5	2,756.7	2,212.1
FII-Equity	(52.3)	(27.7)	(80.0)	(822.2)	10,516.7	3,671.5

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

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