

MACRO DAILY

11 April 2019

Macro developments

- RBI reported that currency in circulation increased by Rs 86bn (on a weekly basis) and stood at Rs 21tn as on 5 Apr 2019. Overall reserve money grew by only 16% on a YoY basis compared to 29% a year ago. On FYTD basis, reserve money declined by (-) 1.8% vs (-) 2.8% last year.
- US FOMC minutes reflected that Fed fund rates are likely to remain unchanged in CY19. However, based on the underlying inflation and growth environment, room might be open for modest rate hike at the end of the year. The minutes have also come up with a detailed plan of balance sheet normalisation. In a separate print, US CPI increased by 0.4% in Mar'19 vs 0.2% in Feb'19 on MoM basis, driven by higher gasoline prices. On an annualised basis, it increased by 1.9% vs 1.5% in Feb'19.
- ECB kept its policy rates unchanged in line with other central banks and is expected to hold the rates at the current levels throughout CY19. Forward guidance through stimulus programmes like TLTRO is expected to start in Sep'19. Risk to Euro Area growth continue to tilt to the downside owing to uncertainties around Brexit and global headwinds.

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Markets

- **Bonds:** Except China, global yields closed lower. This was driven by dovish outlook of US Fed and ECB. US 10Y yield closed lower by 4bps (2.46%). Crude prices rose by 2% (US\$ 72/bbl) amid production cut by OPEC. India's 7.26GS2029 yield closed flat at 7.37% and was also trading at the same level today.
- **Currency:** Except CNY, other global currencies closed higher as dollar weakened. Both DXY and EUR traded in a narrow range after Fed and ECB signalled that they may not raise rates in CY19. INR rose by 0.3% on the back of FII inflows and a weaker dollar. It however opened weaker today, while Asian currencies were trading higher.
- **Equity:** Global indices closed mixed with Dow ending flat, Dax gaining the most (0.5%) and Sensex slipping by (-) 0.9%. Investor sentiments were impacted by ECB holding policy rates steady and US FOMC minutes. A cut in India's GDP forecast by IMF & rise in Brent, led Sensex's fall. However, it opened higher today while Asian markets were trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.46	(4)	(6)	(17)	(25)	(32)
UK	1.10	(1)	0	(8)	(16)	(29)
Japan	(0.05)	(1)	(1)	(2)	(9)	(9)
Germany	(0.03)	(2)	(3)	(10)	(31)	(53)
India#	7.51	(2)	9	0	4	(3)
China	3.32	2	7	17	20	(41)
2Y yields (Δ bps)						
US	2.32	(3)	(1)	(15)	(23)	1
UK	0.70	0	(1)	(4)	(6)	(19)
Japan	(0.16)	0	(1)	(2)	(2)	(1)
Germany	(0.59)	(1)	(1)	(5)	0	(2)
India	6.65	0	13	(1)	(38)	(22)
China**	2.39	0	(2)	(1)	(3)	(87)
Currencies (Δ %)						
EUR	1.1274	0.1	0.4	0.3	(2.3)	(8.8)
GBP	1.3091	0.3	(0.5)	(0.4)	2.4	(7.7)
JPY	111.01	0.1	0.4	0.2	(2.6)	(4.0)
AUD	0.7171	0.7	0.8	1.4	0	(7.5)
INR	69.12	0.3	(1.0)	1.1	1.9	(5.8)
CNY	6.7160	(0.1)	(0.1)	0.2	1.5	(7.1)
Equity & Other indices (Δ %)						
DOW	26,157	0	(0.2)	2.0	9.5	8.1
FTSE	7,422	0	0	4.1	7.5	2.3
DAX	11,906	0.5	(0.4)	3.1	9.3	(3.2)
NIKKEI	21,688	(0.5)	(0.1)	2.7	6.2	0
Shanghai Comp	3,242	0.1	0.8	7.1	27.4	1.1
SENSEX	38,585	(0.9)	(0.8)	4.1	6.6	13.7
Brent (USD/bbl)	71.73	1.6	3.5	7.7	16.7	(0.5)
Gold (USD/oz)	1,308	0.3	1.4	1.1	1.1	(3.4)
CRB Index	425.3	0.1	(0.4)	2.8	3.1	(3.5)
Rogers Agri Index	749.7	0.3	(0.2)	1.4	(3.3)	(10.7)
LIBOR (3M)*	2.58	0	(2)	(3)	(22)	24
INR 5Yr Swap*	6.64	7	32	(32)	(59)	(24)
India FII data (US\$ mn)						
	9 Apr	8 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(89.3)	2.9	(86.4)	(205.5)	339.2	(205.5)
FII-Equity	176.8	17.4	194.3	1,589.3	8,434.5	1,589.3

Source: Bloomberg, Bank of Baroda Research| *Indicates change in bps, # 7.17 GS 2028 security, ** 1Y yield

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