

## MACRO DAILY

11 September 2019

### Macro developments

- RBI's panel on housing finance securitisation market has suggested that an intermediary should be set up under NHB, wherein government will have a 51% ownership. Other recommendations are with regard to development of PTC (currently, only a quarter of total volume of securitisation market). The report estimated that 80-100mn additional housing units will be required by 2022, which will cost Rs 100-115tn. Hence financing through this route can be beneficial.
- China's PPI fell by (-) 0.8% in Aug'19 vs (-) 0.3% in Jul'19, led by falling prices of crude oil and natural gas extraction. CPI on the other hand, remained unchanged from Jul'19 at 2.8% in Aug'19 (est.: 2.6%). The higher than expected increase was driven by food prices (10%), particularly pork prices (46.7%). Core CPI however remained muted at 1.5% vs 1.3% in Jul'19, indicating more monetary easing could be seen in future.
- Amidst worries of slowdown in global economy and ongoing trade tensions, Japan's machine tool orders contracted for the 10th straight month by (-) 37.1% in Aug'19 from (-) 33% in Jul'19. This in turn signals weakness in Japan's economy which is expected to continue over the coming months, till US-China trade deal is finalized.

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### Markets

- **Bonds:** Except India, global yields closed higher as risk sentiment improved on expectation of monetary stimulus from ECB and BoJ. Further, hopes of stimulus from Germany to boost growth also impacted yields. US 10Y yield rose by 9bps (1.73%). Crude prices fell by (-) 0.3% (US\$ 62/bbl). Thus, India's 10Y yield fell by (-) 3bps (6.58%). It is trading at 6.6% today.
- **Currency:** Barring JPY and CNY, other global currencies ended flat ahead of the crucial ECB meet. JPY depreciated by (-) 0.3% led by progress over US-China trade talks which boosted risk-sentiment. INR closed flat. It is however trading lower today, in line with other Asian currencies.
- **Equity:** Apart from Shanghai Comp, global indices closed higher ahead of the ECB's rate decision and expectation of a monetary stimulus later this week. Sensex gained by 0.4% supported by DII inflow of Rs 6.8bn. It is trading higher today; while Asian stocks are trading mixed.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.73	9	27	(1)	(41)	(124)
UK	0.64	5	23	16	(22)	(86)
Japan	(0.22)	3	6	0	(11)	(34)
Germany	(0.55)	4	16	3	(32)	(98)
India	6.58	(3)	2	8	(46)	(160)
China	3.05	2	(2)	2	(22)	(63)
<b>2Y yields (Δ bps)</b>						
US	1.68	8	22	3	(25)	(107)
UK	0.48	4	14	3	(12)	(32)
Japan	(0.29)	2	0	(2)	(10)	(18)
Germany	(0.84)	1	7	2	(17)	(31)
India	5.72	1	(7)	(14)	(58)	(225)
China#	2.58	0	(1)	0	6	(26)
<b>Currencies (Δ %)</b>						
EUR	1.1043	0	0.6	(1.4)	(2.5)	(4.9)
GBP	1.2350	0	2.2	2.6	(2.9)	(5.2)
JPY	107.54	(0.3)	(1.5)	(1.8)	0.9	3.7
AUD	0.6861	0	1.5	1.1	(1.5)	(3.6)
INR	71.71	0	(0.4)	(1.3)	(3.2)	1.4
CNY	7.1126	0.1	0.9	(0.7)	(2.9)	(3.5)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,909	0.3	3.0	2.4	3.3	3.6
FTSE	7,268	0.4	0	0.2	(1.8)	(0.1)
DAX	12,269	0.3	3.0	4.9	0.9	2.5
NIKKEI	21,392	0.3	3.7	3.4	0.9	(5.6)
Shanghai Comp	3,021	(0.1)	3.1	8.9	3.3	13.4
SENSEX	37,145	0.4	(0.5)	(1.2)	(7.0)	(0.7)
Brent (US\$/bbl)	62.38	(0.3)	7.1	6.6	0.1	(21.1)
Gold (US\$/oz)	1,486	(0.9)	(4.0)	(0.7)	12.0	24.0
CRB Index	383.6	(0.1)	(0.7)	(4.3)	(7.0)	(6.8)
Rogers Agri Index	685.0	1.4	1.2	(4.0)	(8.8)	(11.8)
LIBOR (3M)*	2.14	0	0	(4)	(31)	(20)
INR 5Y Swap*	6.10	1	4	(23)	(59)	(161)
<b>India FII data (US\$ mn)</b>						
	<b>6 Sep</b>	<b>5 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	89.8	103.8	423.7	423.7	4,670.9	4,126.3
FII-Equity	(174.5)	(57.8)	(845.4)	(845.4)	6,360.7	(484.5)

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | #1Y yield

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