

MACRO DAILY

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Macro developments

- As per news reports, government will set up a fund to provide guarantees to borrowers with low credit score. This will boost housing demand in the wake of liquidity crisis faced by NBFCs/HFCs. Earlier, RBI had also recommended setting up of a government sponsored intermediary under NHB for penetration of home loan securitisation market. Government has also provided Rs 200bn additional liquidity support to HFCs.
- US PPI rose by 0.1% in Aug'19 on a MoM basis vs 0.2% in Jul'19. However core PPI rose by 0.4% from (-) 0.1% decline in Jul'19. The surprise jump was led by services sector (0.3% vs -0.1% in Jul'19) wherein prices of travel, insurance and freight and cargo rose the most. However, analysts are viewing this increase as one-off event and believe Fed will cut rates soon.
- New loans growth in China fell by (-) 5.5% in Aug'19 on YoY basis. Outstanding Yuan loan growth (proxy for credit growth) also eased to 12.4% from 12.6% in Jul'19. However, outstanding Total Social Financing growth remained unchanged from last month at 10.7% in Aug'19. This is more likely on account of higher debt issuances by local governments.

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Markets

- Bonds:** Global yields closed mixed amidst easing tensions in US-China trade dispute. Investors are also awaiting cues from ECB's upcoming policy. US 10Y yield rose by 1bps (1.74%) as core PPI unexpectedly rose in Aug'19. Crude prices fell by (-) 2.5% (US\$ 61/bbl). India's 10Y yield rose by 10bps to a near 2-month high of 6.68% on account of fiscal concerns. It is trading even higher at 6.7% today, ahead of CPI data.
- Currency:** Global currencies closed mixed. EUR depreciated by (-) 0.3% ahead of the ECB policy meet. DXY edged up by 0.3% led by progress over US-China trade talks. INR rose by 0.1% as oil prices fell. It is trading even higher today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices closed higher after China announced tariff exemptions on 16 US goods, suggesting a de-escalation of trade tensions. Nikkei and FTSE gained 1% each. Following global cues, Sensex rose by 0.3%. It is trading higher today ahead of CPI and IIP data release. Asian stocks are also trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.74	1	27	(1)	(38)	(122)
UK	0.64	0	14	15	(23)	(85)
Japan	(0.20)	2	8	2	(9)	(31)
Germany	(0.56)	(2)	11	1	(33)	(98)
India	6.68	10	13	18	(33)	(145)
China	3.06	1	1	3	(23)	(62)
2Y yields (Δ bps)						
US	1.67	0	24	3	(20)	(107)
UK	0.49	1	13	4	(12)	(31)
Japan	(0.27)	2	3	0	(8)	(16)
Germany	(0.84)	0	5	2	(17)	(30)
India	5.71	0	4	(14)	(58)	(226)
China#	2.58	0	(1)	0	6	(26)
Currencies (Δ %)						
EUR	1.1010	(0.3)	(0.2)	(1.7)	(2.5)	(5.3)
GBP	1.2326	(0.2)	0.6	2.4	(2.9)	(5.5)
JPY	107.82	(0.3)	(1.3)	(2.0)	0.6	3.1
AUD	0.6862	0	1.0	1.1	(1.0)	(4.3)
INR	71.67	0.1	0.6	(1.2)	(3.3)	0.7
CNY	7.1158	0	0.4	(0.8)	(2.9)	(3.9)
Equity & Other indices (Δ %)						
Dow	27,137	0.8	3.0	3.2	4.4	4.4
FTSE	7,338	1.0	0.4	1.2	(0.4)	0.3
DAX	12,359	0.7	2.8	5.7	2.0	2.7
NIKKEI	21,598	1.0	4.6	4.4	2.2	(4.5)
Shanghai Comp	3,009	(0.4)	1.7	8.4	3.4	13.3
SENSEX	37,271	0.3	1.5	(0.8)	(6.3)	(1.2)
Brent (US\$/bbl)	60.81	(2.5)	0.2	3.9	1.4	(23.7)
Gold (US\$/oz)	1,497	0.8	(3.6)	0	12.3	24.1
CRB Index	384.1	0.1	(0.8)	(4.2)	(7.0)	(6.2)
Rogers Agri Index	685.4	0.1	0.9	(4.0)	(9.3)	(11.4)
LIBOR (3M)*	2.13	(1)	2	(4)	(30)	(20)
INR 5Y Swap*	6.18	8	12	(15)	(51)	(153)
India FII data (US\$ mn)						
	9 Sep	6 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	38.0	89.8	38.0	461.7	4,708.9	4,164.2
FII-Equity	41.6	(174.5)	41.6	(803.8)	6,402.3	(442.9)

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

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