

## MACRO DAILY

13 June 2019

### Macro developments

- India's CPI inflation rose to a 7-month high of 3.05% in May'19 led by higher food inflation. IIP growth also recovered to a 6-month high at 3.4% in Apr'19. Core inflation eased to 4.2% driven by across the board decline. While CPI has risen for 4-months now, it is still below RBI's target. With oil prices currently at US\$ 60/bbl, RBI has room to cut rates further. Progress of monsoon and Budget will however dictate the timing of the rate cut.
- UNCTAD's latest report highlighted that investment climate remained gloomier with global FDI flows falling for the 3rd consecutive year by 13% to US\$ 1.3tn in CY18. India received higher FDI (US\$ 42bn in CY18 vs US\$ 40bn in CY17) and ranked 10th among major economies, on account of robust inflows in manufacturing, communication and financial services.
- US CPI eased to 1.8% in May'19 vs est.: 1.9% and 2% in Apr'19. Core CPI too fell (2% vs 2.1% in Apr'19) indicating muted inflationary pressures. This was mainly on account of softening prices of apparels, new vehicles and services (mainly rent and insurance). While this points towards weak domestic demand and calls for a rate cut by Fed, analysts believe that the Jun'19 meeting of Fed will be too soon for any decision.

**Jahnvi**

jahnvi@bankofbaroda.com

**Sameer Narang**

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields closed mixed amidst trade war tensions. US 10Y yield fell by 2bps (2.12%) on the back of muted CPI print. Crude prices declined by (-) 3.7% (US\$ 60/bbl) supported by higher US inventories and global growth concerns. India's 10Y yield declined by 3bps (7.01%). It was trading further lower at 6.97% today, on the back of lower core CPI in May'19.
- Currency:** Barring JPY and INR, other global currencies closed lower. DXY rose by 0.3% as US-China trade deal and the upcoming US Fed meet remained in focus. INR rose by 0.1% on falling crude prices. It opened flat today while other Asian currencies are trading mixed.
- Equity:** Global indices closed lower led by trade war concerns and geo-political tensions in Hong Kong. Shanghai Comp slid by (-) 0.6% followed by FTSE (-0.4%). Sensex too ended in red, snapping a 3-day winning streak over subdued global cues. Both Asian markets and Sensex opened lower today.



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

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 2.12          | (2)           | (1)        | (29)       | (50)        | (85)        |
| UK                                      | 0.87          | 1             | 0          | (24)       | (33)        | (50)        |
| Japan                                   | (0.11)        | 0             | 1          | (6)        | (7)         | (17)        |
| Germany                                 | (0.24)        | 0             | (1)        | (17)       | (30)        | (72)        |
| India                                   | 7.01          | (3)           | 8          | (37)       | (36)        | (92)        |
| China                                   | 3.29          | 2             | 5          | 0          | 14          | (39)        |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 1.88          | (5)           | 2          | (32)       | (59)        | (69)        |
| UK                                      | 0.61          | 2             | 4          | (11)       | (14)        | (14)        |
| Japan                                   | (0.19)        | (1)           | 3          | (4)        | (4)         | (7)         |
| Germany                                 | (0.68)        | (1)           | 0          | (4)        | (13)        | (9)         |
| India                                   | 6.30          | 0             | 2          | (39)       | (39)        | (132)       |
| China**                                 | 2.53          | (2)           | (6)        | (13)       | 8           | (64)        |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1287        | (0.3)         | 0.6        | 0.7        | (0.4)       | (4.3)       |
| GBP                                     | 1.2689        | (0.3)         | 0.0        | (1.7)      | (4.9)       | (5.1)       |
| JPY                                     | 108.50        | 0             | 0          | 1.0        | 2.4         | 1.7         |
| AUD                                     | 0.6928        | (0.5)         | (0.6)      | (0.2)      | (2.3)       | (8.6)       |
| INR                                     | 69.35         | 0.1           | (0.1)      | 1.6        | 0.3         | (2.5)       |
| CNY                                     | 6.9177        | (0.1)         | (0.1)      | (0.6)      | (3.1)       | (8.1)       |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| DOW                                     | 26,005        | (0.2)         | 1.8        | 1.9        | 1.2         | 3.2         |
| FTSE                                    | 7,368         | (0.4)         | 2.0        | 1.7        | 2.9         | (4.4)       |
| DAX                                     | 12,116        | (0.3)         | 1.1        | 1.0        | 4.7         | (6.0)       |
| NIKKEI                                  | 21,130        | (0.4)         | 1.7        | 0.3        | (0.8)       | (8.0)       |
| Shanghai Comp                           | 2,909         | (0.6)         | 1.7        | 0.9        | (3.9)       | (4.6)       |
| SENSEX                                  | 39,757        | (0.5)         | 0.6        | 6.5        | 5.3         | 11.2        |
| Brent (USD/bbl)                         | 59.97         | (3.7)         | (1.1)      | (15.8)     | (11.2)      | (21.9)      |
| Gold (USD/oz)                           | 1,334         | 0.5           | 0.2        | 2.8        | 1.9         | 2.6         |
| CRB Index                               | 413.1         | 0.2           | (0.3)      | 0.7        | (1.5)       | (8.5)       |
| Rogers Agri Index                       | 755.7         | 0.7           | 1.8        | 6.6        | 0.8         | (9.4)       |
| LIBOR (3M)*                             | 2.45          | 1             | (2)        | (7)        | (16)        | 11          |
| INR 5Yr Swap*                           | 6.69          | 0             | 4          | (31)       | (26)        | (77)        |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>11 Jun</b> | <b>10 Jun</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 62.2          | 257.1         | 319.3      | 1,106.0    | 1,341.7     | 797.1       |
| FII-Equity                              | 43.5          | 46.1          | 89.6       | 166.4      | 11,356.3    | 4511.1      |

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

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For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

+91 22 6698 5713

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)