MACRO DAILY

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Macro developments

- Media reports highlighted that Ministry of Corporate Affairs is working on a universal debt relief scheme for small borrowers. This would be applicable for individuals with annual income of Rs 60,000 or less, outstanding loans of Rs 35,000 or less, and assets worth Rs 20,000 or less. The cost is expected to be Rs 200bn. This scheme might be one of the key changes under IBC and would enable faster resolution of debt to SMEs.
- US CPI rose by 0.3% in Apr'19 on a MoM basis vs 0.4% in Mar'19. This was on the back of lower prices of both food (-0.1% vs 0.3% in Apr'19) and gasoline prices (5.7% vs 6.5% in Mar'19). Core CPI rose by 0.1% for the 3rd consecutive month in Apr'19 due to a slowdown in prices of apparels and medical services. Housing inflation on the other hand remained steady.
- UK's industrial production rose by 0.7% in Mar'19 from 0.6% in Feb'19 led by improvement in both manufacturing and mining & quarrying output. Within manufacturing, 8 out of 13 sub-sectors rose with a sharp uptick in pharmaceutical (4%) and transport equipment (1.4%). Separately, UK's goods trade deficit widened to £43.3bn between Jan-Mar'19 (vs £36.9bn in Oct-Dec'18).

Markets

- **Bonds:** Global yields closed mixed amidst uncertainty over US-China trade deal. US 10Y yield rose by 2bps (2.47%). Rebound in UK GDP in Mar'19 led to a 1bps increase in UK's 10Y yield. Crude prices rose marginally by 0.3% (US$ 71/bbl). India's 7.26GS2029 yield edged up by 1bps (7.41%) led by selling from foreign banks. It was trading at 7.4% today.
- **Currency:** Barring GBP and JPY, other global currencies closed higher. Positive comments by US President helped ease some fears over US-China trade war. DXY closed flat, while EUR, AUD, CNY and INR gained. INR opened lower today in line with other Asian currencies.
- **Equity:** On the back of trade negotiations between US-China, Dow and Shanghai Comp staged a comeback gaining by 0.4% and 3.1% respectively. Nikkei and Sensex both ended in red by 0.3%. Both Asian markets and Sensex were trading lower today amidst uncertainty over trade deal.

FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.47	2	(6)	0	(17)	(50)
UK	1.14	1	(8)	4	(2)	(30)
Japan	(0.05)	0	(1)	0	(2)	(10)
Germany	(0.05)	0	(7)	(2)	(13)	(60)
India#	7.51	2	1	0	(1)	(20)
China	3.31	0	(9)	(1)	20	(39)
2Y yields (Δ bps)						
US	2.27	1	(7)	(6)	(20)	(26)
UK	0.74	0	(6)	4	3	(5)
Japan	(0.16)	0	(1)	1	1	(3)
Germany	(0.62)	1	(3)	(3)	(4)	(4)
India	6.78	4	1	12	(3)	(73)
China**	2.61	1	(5)	22	22	(29)
Currencies (Δ %)						
EUR	1.1233	0.2	0.3	(0.4)	(0.8)	(5.7)
GBP	1.2998	(0.1)	(1.3)	(0.7)	0.4	(3.9)
JPY	109.95	(0.2)	1	1	(0.2)	(0.5)
AUD	0.7002	0.2	(0.2)	(2.4)	(1.2)	(7)
INR	69.90	0.1	(1)	(1.1)	2	(3.8)
CNY	6.8225	0.1	(1.3)	(1.6)	(1.1)	(7.5)
Equity & Other indices (Δ %)						
DOW	25,942	0.4	(2.1)	(0.8)	3.3	4.9
FTSE	7,203	(0.1)	(2.4)	(2.9)	1.9	(6.5)
DAX	12,060	0.7	(2.8)	1	10.6	(7.4)
NIKKEI	21,345	(0.3)	(4.1)	(1.7)	5	(5.1)
Shanghai Comp	2,939	3.1	(4.5)	(7.9)	12.3	(7.4)
SENSEX	37,463	(0.3)	(3.9)	(3)	2.5	6.3
Brent (USD/bbl)	70.62	0.3	(0.3)	(0.3)	13.7	(8.8)
Gold (USD/oz)	1,286	0.2	0.5	(0.5)	(2.1)	(2.7)
CRB Index	410.1	(0.6)	(2)	(3.4)	(0.7)	(7.7)
Rogers Agri Index	698.9	(0.4)	(3)	(6.4)	(9.3)	(17.3)
LIBOR (3M)*	2.53	(1)	(3)	(7)	(17)	17
INR 5Yr Swap*	7.09	(1)	(15)	41	3	(11)
India FII data (US$ mn)	**8 May**	**7 May**	**WTD**	**MTD**	**CYTD**	**FYTD**
FII-Debt	(16.4)	128.8	99.1	(548.3)	(849.6)	(1,865.9)
FII-Equity	(78.6)	(110.3)	261.0	326.5	10,093.8	1,799.1

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

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