

MACRO DAILY

14 June 2019

Macro developments

- As per news reports, government may rollover Rs 626bn in subsidies payment to FY21, in order to stick to the 3.4% fiscal deficit target in FY20. In FY20 interim budget, fertilizer subsidy was kept at Rs 750bn and fuel subsidy at Rs 375bn. However, fertilizer companies have reported Rs 1.1tn payment dues from the government, while fuel companies (IOC, BP & HP) report Rs 631bn is pending in dues, together implying a gap of Rs 626bn.
- Industrial production in the Euro Area fell for the 2nd straight month in Apr'19 by (-) 0.5% vs (-) 0.4% in Mar'19, on a MoM basis. This was led by consumer durables (-1.7%) and capital goods (-1.4%). Germany saw the largest decline (-2.3%). Separately, Germany's economy ministry predicted that growth in Q2CY19 is likely to be subdued as the manufacturing sector reels under the effect of US trade war against China and EU.
- US initial jobless claims rose by 3,000 to a 5-week high, in the week ended 8 June to 222,000 (est., 215,000). The 4-week moving average of claims too inched up by 2,500 to 217,750. Despite the increase, jobless claims continue to remain low by historical standards and unemployment rate remains steady at 3.6% suggesting overall mixed signal about labour market.

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Markets

- Bonds:** Except Japan and India, global yields closed lower on the back of dip in Euro Area industrial production reflecting strains in global economic activity. US 10Y yield fell by 3bps (2.09%) as markets are pricing in a rate cut from Fed. Crude prices rose by 2.2% (US\$ 61/bbl) amidst tensions in Middle East. India's 10Y yield was stable at 7.01%. It is trading lower today at 6.99% supported by RBI's OMO announcement of Rs 125bn on 20 Jun.
- Currency:** Global currencies traded in a thin range ahead of the Fed meet and G-20 summit next week. DXY closed flat. INR depreciated by (-) 0.2% after gaining for 2-straight sessions on rising crude prices. It opened flat today, while other Asian currencies are trading mixed.
- Equity:** Global indices closed mixed with Dow and Dax gaining the most (0.4%) and Nikkei ending in red (-0.5%). Energy stocks in the US and telecom stocks in Germany pushed the respective indices higher. Globally, investor sentiments remain on edge ahead of G-20 meeting outcome. Asian stocks are trading mixed today, while Sensex is trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.09	(3)	(2)	(31)	(54)	(84)
UK	0.84	(3)	1	(27)	(39)	(50)
Japan	(0.11)	0	1	(7)	(7)	(16)
Germany	(0.24)	(1)	0	(17)	(33)	(67)
India	7.01	0	8	(38)	(36)	(94)
China	3.28	(2)	2	0	12	(38)
2Y yields (Δ bps)						
US	1.84	(4)	(4)	(35)	(63)	(73)
UK	0.59	(2)	5	(13)	(18)	(15)
Japan	(0.20)	(1)	1	(4)	(4)	(7)
Germany	(0.68)	0	(2)	(5)	(14)	(5)
India	6.28	(2)	0	(43)	(34)	(128)
China**	2.53	(2)	(6)	(13)	8	(64)
Currencies (Δ %)						
EUR	1.1276	(0.1)	0	0.5	(0.2)	(2.5)
GBP	1.2674	(0.1)	(0.2)	(2.2)	(4.3)	(4.4)
JPY	108.38	0.1	0	0.8	3.0	2.0
AUD	0.6915	(0.2)	(0.9)	(0.4)	(2.1)	(7.5)
INR	69.52	(0.2)	(0.3)	1.4	(0.2)	(2.8)
CNY	6.9216	(0.1)	(0.2)	(0.6)	(3.0)	(8.1)
Equity & Other indices (Δ %)						
DOW	26,107	0.4	1.5	3.1	1.5	3.7
FTSE	7,369	0	1.5	2.9	2.5	(5.1)
DAX	12,169	0.4	1.8	2.5	5.0	(7.2)
NIKKEI	21,032	(0.5)	1.2	(0.8)	(1.2)	(7.5)
Shanghai Comp	2,911	0	2.9	0.2	(2.7)	(4.4)
SENSEX	39,741	0	0.5	7.1	5.3	11.6
Brent (USD/bbl)	61.31	2.2	(0.6)	(12.7)	(8.8)	(19.3)
Gold (USD/oz)	1,342	0.7	0.5	3.3	3.6	3.1
CRB Index	413.2	0	(0.6)	1.2	(1.2)	(8.4)
Rogers Agri Index	762.7	0.9	1.6	9.6	1.7	(7.6)
LIBOR (3M)*	2.43	(1)	(3)	(9)	(19)	9
INR 5Yr Swap*	6.78	9	21	(31)	16	(75)
India FII data (US\$ mn)						
	12 Jun	11 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(1.7)	62.2	317.6	1,104.3	1,340.0	795.4
FII-Equity	(92.7)	43.5	(3.1)	73.7	11,263.6	4,418.4

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

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