


MACRO DAILY

15 April 2019

Macro developments

- India's CPI rose to a 5-month high of 2.9% in Mar'19 while IIP fell to a 20-month low of 0.1% in Feb'19. The increase in inflation is attributable to food which accelerated to 0.3% in Mar'19 from (-) 0.7% in Feb'19 led by vegetable prices. Core moderated to 5% driven by a broad-based decline. This implies RBI is likely to reduce policy rates further to spur growth. Rise in oil prices and below normal monsoon remains a risk.
- India's forex reserves rose to 11-month high at US\$ 414bn in the week ending 5 Apr 2019. On a weekly basis, forex reserves rose by US\$ 1.9bn vs an increase of US\$ 5.2bn. In CYTD19, forex reserves have increased by US\$ 20.4bn compared with US\$ 15.5bn in the same period last year supported by RBI's dollar-rupee swap as well as strong FII inflows.
- China's exports rose by 14.2% in Mar'19 vs (-) 20.7% in Feb'19, while imports continued to decline (-7.6% vs -5.2% in Feb'19). The rebound in exports is seen temporary by analysts due to base effect (owing to Lunar New Year), making 3% MoM rise in shipments in line with expectations. In Q1CY19, exports were up by 1.4% while imports declined by (-) 4.8%.

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Markets

- Bonds:** Apart from Japan, global yields closed higher. This was driven by better than expected China's trade and credit data. US 10Y yield inched up by 7bps (2.57%) amid rise in both US CPI & PPI. Crude prices also rose by 1% (US\$ 72/bbl) on hopes of reviving global demand. India's 7.26GS2029 yield increased by 4bps (7.41%) amid expectation of higher CPI print and selling by foreign and private banks. It was trading flat today.
- Currency:** Except INR and JPY, other global currencies closed higher as dollar weakened. DXY fell by (-) 0.2% as global growth concerns eased further. EUR rose by 0.4% after industrial production in the region declined lower than expected in Feb'19. INR fell by (-) 0.3% as oil prices rose. It however opened higher today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp which closed flat, other global indices closed higher led by better than expected trade data from China. Dow rose by 1% followed by Nikkei (0.7%). Sensex too ended in green (0.4%) ahead of the corporate earnings report. Both Asian markets and Sensex were trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.57	7	7	(6)	(14)	(26)
UK	1.21	6	10	1	(8)	(22)
Japan	(0.06)	0	(3)	(1)	(7)	(9)
Germany	0.06	6	5	(1)	(18)	(46)
India#	7.57	5	6	2	7	14
China	3.36	7	9	21	24	(36)
2Y yields (Δ bps)						
US	2.39	4	5	(7)	(15)	3
UK	0.78	5	7	3	(3)	(12)
Japan	(0.16)	0	(1)	(1)	(1)	(1)
Germany	(0.56)	2	1	(1)	3	2
India	6.68	1	9	(1)	(32)	(22)
China**	2.45	1	4	2	3	(77)
Currencies (Δ %)						
EUR	1.1299	0.4	0.7	(0.2)	(1.5)	(8.4)
GBP	1.3074	0.1	0.3	(2.0)	1.8	(8.2)
JPY	112.02	(0.3)	(0.3)	(0.8)	(3.3)	(4.4)
AUD	0.7173	0.7	1.0	1.1	(0.6)	(7.6)
INR	69.16	(0.3)	0.1	0.5	1.9	(6.1)
CNY	6.7036	0.2	0.2	0.1	0.9	(6.8)
Equity & Other indices (Δ %)						
DOW	26,412	1.0	0	2.8	10.1	8.4
FTSE	7,437	0.3	(0.1)	3.9	7.5	2.4
DAX	12,000	0.5	(0.1)	3.7	10.2	(3.6)
NIKKEI	21,871	0.7	0.3	2.7	7.4	0.4
Shanghai Comp	3,189	0	(1.8)	5.3	24.9	0.9
SENSEX	38,767	0.4	(0.2)	2.7	7.7	13.4
Brent (USD/bbl)	71.55	1.0	1.7	5.9	18.3	(1.4)
Gold (USD/oz)	1,290	(0.2)	(0.1)	(1.4)	0.0	(4.1)
CRB Index	426.1	0.4	0.3	1.6	3.5	(3.1)
Rogers Agri Index	750.5	0.5	(0.1)	0.1	(2.7)	(10.5)
LIBOR (3M)*	2.60	0	1	(1)	(19)	25
INR 5Yr Swap*	6.73	5	37	(22)	(47)	(16)
India FII data (US\$ mn)						
	11 Apr	10 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(119.4)	0.8	(207.9)	(1,047.9)	220.6	(1,047.9)
FII-Equity	147.4	185.5	509.7	541.3	8,767.4	541.3

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

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