


**MACRO DAILY**

15 February 2019

**Macro developments**

- In an effort to provide price support to sugar millers, government has hiked the minimum sale price of sugar by Rs 2/kg to Rs 31/kg. This will help millers in clearing the arrears which have mounted to over Rs 230bn for the season 2017-18. However, earlier fixing of floor price to Rs 29/kg has already helped in reducing this amount by Rs 20bn.
- US retail sales declined by (-) 1.2% in Dec'18 (est.: 0.1%, Nov'18: 0.1%) on a MoM basis, the sharpest decline since Sep'09. US PPI also fell by (-) 0.1% in Jan'19 (est. +0.1%) due to decline in energy and food prices. Separate data also showed that US jobless claims rose by 4,000 to 239,000 for the week ending 9 Feb 2019. While the data may be impacted by government shutdown, it raises fresh concerns over economic growth in the US.
- China's exports rose by 9.1% in Jan'19 (est.: -3.2%) from (-) 4.4% in Dec'18, possibly due to front loading of shipments before lunar holidays. Imports continued to fall, albeit at a slower pace than Dec'18 (-1.5% in Jan'19 vs est.: -10% & -7.6% in Dec'18). Separately, showing signs of sluggish demand, China's PPI in Jan'19 rose by only 0.1% vs est.: 0.2% and 0.9% in Dec'18.

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**Markets**

- **Bonds:** Barring India and China, global yields closed lower. This was driven by weak US retail sales data and an unexpected rise in jobless claims which dragged US 10Y yield lower by 5bps (2.65%). 7.26%GS2029 increased by 4bps (7.33%) led by rising crude prices (by 2% to US\$ 65/bbl) amid OPEC and non OPEC members supply cut. It was trading at 7.34% today.
- **Currency:** Global currencies closed mixed as disappointing macro data from US, Germany and China fuelled concerns over global growth momentum. As a result, while DXY and CNY fell by (-) 0.2%, JPY and AUD gained 0.5% and 0.2% respectively. INR depreciated by (-) 0.5% as oil prices rose. It was trading even lower today, while Asian currencies were trading higher.
- **Equity:** Barring FTSE (0.1%), other global indices ended lower led by disappointing data from the US (lower retail sales and higher jobless claims), signalling risk of a possible slowdown in the US economy. Dax fell by (-) 0.7%, led by weaker than expected GDP for Q4CY18. Both Asian markets and Sensex were trading lower today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.65	(5)	0	(6)	(46)	(26)
UK	1.15	(3)	(3)	(11)	(22)	(50)
Japan	(0.01)	(1)	(1)	(3)	(12)	(8)
Germany	0.10	(2)	(1)	(10)	(26)	(66)
India#	7.52	5	2	5	(24)	(5)
China	3.09	1	(2)	(6)	(32)	(80)
<b>2Y yields (Δ bps)</b>						
US	2.49	(4)	1	(4)	(36)	31
UK	0.74	0	2	(7)	3	4
Japan	(0.17)	(1)	(1)	(2)	(3)	(2)
Germany	(0.55)	1	2	7	4	0
India	6.72	(1)	(9)	(28)	(68)	(16)
China	2.61	1	2	(15)	(50)	(97)
<b>Currencies (Δ %)</b>						
EUR	1.1295	0.3	(0.4)	(1.0)	(0.3)	(9.7)
GBP	1.2803	(0.3)	(1.2)	(0.5)	0.2	(9.2)
JPY	110.48	0.5	(0.6)	(1.7)	2.8	(4.1)
AUD	0.7106	0.2	0.1	(1.3)	(2.3)	(10.6)
INR	71.17	(0.5)	0.4	(0.2)	1.1	(11.4)
CNY	6.7720	(0.2)	(0.4)	(0.2)	2.4	(6.8)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,439	(0.4)	1.1	5.7	0.6	0.9
FTSE	7,197	0.1	1.5	4.4	2.3	(0.5)
DAX	11,090	(0.7)	0.6	1.8	(2.3)	(10.2)
NIKKEI	21,140	0	1.9	2.8	(3.0)	(1.5)
Shanghai Comp	2,720	(0.1)	3.9	5.8	1.9	(15.0)
SENSEX	35,876	(0.4)	(3.0)	(1.2)	1.7	4.6
Brent (USD/bbl)	64.57	1.5	4.8	6.5	(3.1)	0.4
Gold (USD/oz)	1,313	0.5	0.2	1.8	8.2	(3.0)
CRB Index	411.6	0	(0.5)	0.1	(1.0)	(6.7)
Rogers Agri Index	762.7	(0.7)	(1.3)	(0.3)	(1)	(8.4)
LIBOR (3M)*	2.68	(1)	(1)	(9)	4	81
INR 5Yr Swap*	6.97	(1)	(15)	(20)	(61)	(14)
<b>India FII data (US\$ mn)</b>						
	<b>13 Feb</b>	<b>12 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	262.8	(70.9)	131.8	56.7	(310.4)	(7,301.1)
FII-Equity	(121.4)	164.9	(13.4)	453.4	378.0	(6,304.9)

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, # 7.17 GS 2028 security is taken

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