


MACRO DAILY

15 May 2019

Macro developments

- Skymet has predicted that rainfall in India is likely to be below normal at 93% of LPA. The forecast is dimmer than IMD's first forecast of near normal with rainfall at 96% of LPA. Thus uncertainty persists with regard to onset and spatial distribution of monsoon which might pose upside risk to food inflation in the near term.
- WPI inflation moderated to 3.1% in Apr'19 from 3.2% in Mar'19 led by dip in fuel and power (3.8% in Apr'19 vs 5.4%) and manufactured inflation (1.7% in Apr'19 vs 2.2%). However, food inflation rose to 4.9% in Apr'19, a 25-month high, driven by higher vegetable and protein prices. With international oil prices hovering at US\$ 71/ bbl, a depreciating currency and rising domestic food inflation, RBI might be on a pause in its June meeting.
- Germany's retail inflation rose sharply by 2% on a YoY basis in Apr'19 vs 1.3% in Mar'19. This was mainly due to energy products (4.6%) and package holiday prices (11.2%). Timing of Easter impacted travel prices within the services sector. Separately, ZEW economic sentiment index for May'19 fell to (-) 2.1 vs est.: 5 and 3.1 in Apr'19. This implies greater number of participants expect muted economic growth in the next 6 months.

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Markets

- **Bonds:** Global yields closed mixed as US-China trade war remained in focus. US 10Y yield inched up a tad by 1bps ahead of release of major macro prints (US retail sales and industrial production). Crude prices rose by 1.4% (US\$ 71/bbl) amid tensions in Saudi Arabia. India's 7.26GS2029 yield fell by 1bps (7.38%). It was trading further lower at 7.37% today.
- **Currency:** Global currencies closed mixed on the back of ongoing US-China trade developments. While DXY edged up by 0.2%, CNY and AUD closed unchanged after falling (-) 0.8% in the last session. INR gained 0.1%. It opened higher today, in line with other Asian currencies.
- **Equity:** Barring Nikkei and Shanghai Comp, other major global indices closed higher on the back of trade negotiation between US & China. European stocks gained the most, followed by Dow. Sensex too rose (0.6%), led by PSU banks, pharma and realty stocks. It opened even higher today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.41	1	(5)	(15)	(28)	(66)
UK	1.11	0	(5)	(11)	(8)	(41)
Japan	(0.05)	(0)	0	1	(4)	(11)
Germany	(0.07)	0	(3)	(13)	(20)	(72)
India#	7.46	(2)	(2)	(11)	(7)	(45)
China	3.29	1	(7)	(7)	21	(43)
2Y yields (Δ bps)						
US	2.20	1	(9)	(19)	(31)	(38)
UK	0.72	1	(3)	(7)	(1)	(12)
Japan	(0.16)	0	(0)	1	1	(3)
Germany	(0.63)	(1)	(3)	(7)	(7)	(8)
India	6.69	(2)	(5)	1	(3)	(91)
China**	2.60	(0)	(2)	15	24	(37)
Currencies (Δ %)						
EUR	1.1204	(0.2)	0.1	(0.8)	(1.1)	(5.4)
GBP	1.2905	(0.4)	(1.3)	(1.3)	0.1	(4.4)
JPY	109.61	(0.3)	0.6	2.2	0.8	0.7
AUD	0.6944	0	(1)	(3.2)	(2.1)	(7.1)
INR	70.46	0.1	(1.5)	(1.9)	0.3	(3.5)
CNY	6.8753	0	(1.5)	(2.6)	(1.5)	(7.8)
Equity & Other indices (Δ %)						
DOW	25,532	0.8	(1.7)	(3.3)	0.4	3.3
FTSE	7,242	1.1	(0.3)	(2.6)	1.5	(6.2)
DAX	11,992	1	(0.8)	(0.1)	7.8	(7.5)
NIKKEI	21,067	(0.6)	(3.9)	(3.7)	1	(7.7)
Shanghai Comp	2,884	(0.7)	(1.5)	(9.6)	7.9	(9.7)
SENSEX	37,319	0.6	(2.5)	(3.7)	3.2	5
Brent (USD/bbl)	71.24	1.4	1.9	(0.4)	14.1	(9.2)
Gold (USD/oz)	1,297	(0.2)	1	0.5	(1.1)	0.5
CRB Index	410.4	0.5	(1.7)	(3.7)	(0.3)	(7.2)
Rogers Agri Index	708.8	1.9	(0.5)	(5.6)	(7.7)	(15.4)
LIBOR (3M)*	2.52	(1)	(4)	(8)	(17)	20
INR 5Yr Swap*	6.99	(9)	(24)	27	(5)	(22)
India FII data (US\$ mn)						
	13 May	10 May	WTD	MTD	CYTD	FYTD
FII-Debt	(27.6)	(39.8)	(27.6)	(615.7)	(917)	(1,933.4)
FII-Equity	(135.6)	(178.6)	(135.6)	12.3	9,779.6	1,484.9

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

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