


MACRO DAILY

17 June 2019

Macro developments

- India has imposed higher tariffs on 28 US imports (over US\$ 200mn) from Jun 16. These include important US export items to India such as apples, almonds and walnuts. On Jun 5, US withdrew tariff concessions to India under the GSP scheme which allowed duty-free exports of up to US\$ 5.6bn to the US. India's imports from US were US\$ 35bn in FY19.
- Retail sales in the US rose by 0.5% in May'19 (est. 0.6%) vs 0.3% in Apr'19 on MoM basis. This was driven by pickup in motor vehicle sales reflecting slight signs of improvement in consumption demand. In a separate print, US industrial production rebounded by 0.4% in May'19 vs (-) 0.4% in Apr'19 driven by pickup in all sectors except mining.
- China's industrial production eased to 5% in May'19 (lowest in 17 years), down from estimate of 5.5% and 5.4% in Apr'19. This was in line with FAI growth slipping to 5.6% between Jan-May'19 vs 6.1% in Jan-Apr'19. In an effort to boost growth, government has recently announced 300bn Yuan support for smaller banks and analysts expect a 100bps cut in RRR in CY19.

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Markets

- Bonds:** Barring UK, global yields closed lower. US 10Y yield fell marginally by 1bps (2.08%) ahead of Fed policy in the current week. Crude prices rose by 1.1% (US\$ 62/bbl) on the back of tensions in Middle East. India's 10Y yield ended lower by 9bps (6.92%) supported by RBI's OMO purchase announcement of Rs 125bn on 20 Jun 2019. It was trading flat today.
- Currency:** Global currencies closed lower against the dollar. DXY rose by 0.6% after optimistic US retail sales data eased fears of a slowdown in growth. INR depreciated for the 2nd straight session (-0.4%) on the back of higher oil prices. It opened lower today, in line with other Asian currencies.
- Equity:** Barring Nikkei, global indices closed lower on the back of tensions in Middle East. Shanghai Comp slumped by (-) 1% followed by Dax (0.6%) and FTSE (-0.3%). Asian markets are trading lower today ahead of the Fed's upcoming policy meet. Domestic market too is trading in line with Asian markets in the morning session.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.08	(1)	0	(33)	(51)	(84)
UK	0.85	1	3	(26)	(36)	(48)
Japan	(0.13)	(2)	(1)	(8)	(10)	(17)
Germany	(0.26)	(1)	0	(19)	(34)	(66)
India	6.92	(9)	(5)	(46)	(42)	(97)
China	3.27	(1)	2	(2)	12	(35)
2Y yields (Δ bps)						
US	1.84	0	(1)	(36)	(60)	(71)
UK	0.61	2	8	(11)	(16)	(12)
Japan	(0.20)	(1)	0	(5)	(5)	(7)
Germany	(0.69)	(2)	(2)	(6)	(15)	(8)
India	6.22	(6)	(5)	(47)	(37)	(132)
China**	2.53	(2)	(6)	(13)	8	(64)
Currencies (Δ %)						
EUR	1.1208	(0.6)	(1.1)	0	(1.0)	(3.5)
GBP	1.2589	(0.7)	(1.2)	(2.4)	(5.3)	(5.2)
JPY	108.56	(0.2)	(0.3)	1.0	2.6	1.9
AUD	0.6872	(0.6)	(1.8)	(1.0)	(3.0)	(7.7)
INR	69.80	(0.4)	(0.5)	0.9	(1.0)	(2.6)
CNY	6.9255	(0.1)	(0.2)	(0.7)	(3.2)	(7.6)
Equity & Other indices (Δ %)						
DOW	26,090	(0.1)	0.4	2.2	0.9	4.0
FTSE	7,346	(0.3)	0.2	1.4	1.6	(3.8)
DAX	12,096	(0.6)	0.4	0.9	3.5	(7.0)
NIKKEI	21,117	0.4	1.1	0.2	(1.6)	(7.6)
Shanghai Comp	2,882	(1.0)	1.9	(0.1)	(4.6)	(4.6)
SENSEX	39,452	(0.7)	(0.4)	5.7	3.8	10.8
Brent (USD/bbl)	62.01	1.1	(2.0)	(13.0)	(7.7)	(15.6)
Gold (USD/oz)	1,342	0	0.1	3.5	3.0	4.9
CRB Index	412.1	(0.3)	0.6	0.4	(1.8)	(8.4)
Rogers Agri Index	764.1	0.2	2.6	7.8	1.0	(6.5)
LIBOR (3M)*	2.41	(2)	(4)	(11)	(22)	8
INR 5Yr Swap*	6.79	0	17	(21)	13	(71)
India FII data (US\$ mn)						
	13 Jun	12 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	5.2	(1.7)	322.8	1,109.5	1,345.2	800.6
FII-Equity	(92.7)	(92.7)	(1.9)	74.9	11,264.8	4,419.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** 1Y yield as of 31 May 2019

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