


**MACRO DAILY**

22 March 2019

**Macro developments**

- RBI reported that currency in circulation declined by Rs 97bn (on a weekly basis) and stood at Rs 21tn as on 15 Mar 2019. Overall reserve money grew by only 19% on a YoY basis compared to 33% a year ago. On FYTD basis, reserve money is growing at a slower pace of 14% vs 23% last year.
- Amidst brewing uncertainty over finalisation of Brexit deal, Bank of England kept the interest rates steady (for 7<sup>th</sup> straight month). It has taken a wait and watch approach as the economic outlook would heavily depend on the timing and nature the deal. This come in line with Fed's decision to hold interest rates hikes this year on the back of fears of economic slowdown.
- US Fed kept its fund rate unchanged at 2.25-2.5%. However, it signalled a dovish stance by indicating no more rate hikes in CY19 as against its earlier projection of several rate hikes. This has been on the backdrop of muted growth and inflation print whose projection has also been slashed by 20 & 10bps at 2.1% & 1.8% in CY19 respectively. It also indicated a pause in its balance sheet reduction program in Sep'19. In a separate release, US jobless claims fell by 9,000 to 221,000 for the week ending 16 Mar 2019.

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**Markets**

- **Bonds:** Apart from US & Japan, global yields closed lower. Despite Fed signalling a dovish approach in 2019, US 10Y yield inched up marginally by 1bps supported by robust labour market conditions. UK 10Y yield declined by as much as 9bps driven by EU's decision to delay Brexit. India's 7.26GS2029 declined by 2bps (7.36%) supported by buying from MFs. It was trading at 7.33% today.
- **Currency:** Barring INR, other global currencies closed lower as DXY ended 0.8% higher. EUR (-0.7%) and GBP (-0.3%) lost the most. Currencies were under pressure as May prepares for 3<sup>rd</sup> vote on the exit deal and fears of rejection persists. INR appreciated by 0.2% on the back of sustained FII inflows. While Asian currencies were trading mixed, INR opened higher.
- **Equity:** Except Dax, global indices ended in green as Fed signalled a pause in rate hike in CY19, and BoE also kept the rates unchanged. Thus, Dow & FTSE gained the most. Apart from that, EU's agreement for delay in brexit also cheered the markets. While Asian markets were trading mixed; Sensex opened higher today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.54	1	(9)	(13)	(27)	(29)
UK	1.06	(9)	(16)	(10)	(20)	(38)
Japan	(0.04)	0	1	(1)	(6)	(7)
Germany	0.04	(4)	(5)	(7)	(19)	(49)
India#	7.52	(2)	5	(6)	24	(4)
China	3.13	(2)	(3)	1	(21)	(66)
<b>2Y yields (Δ bps)</b>						
US	2.41	1	(5)	(11)	(26)	13
UK	0.70	(4)	(7)	(3)	(4)	(20)
Japan	(0.16)	0	1	2	(1)	0
Germany	(0.55)	(2)	(1)	2	5	5
India	6.60	(1)	(9)	(9)	(30)	(31)
China**	2.40	(2)	(3)	9	(27)	(87)
<b>Currencies (Δ %)</b>						
EUR	1.1374	(0.3)	0.6	0.6	(0.6)	(7.5)
GBP	1.3107	(0.7)	(1.0)	1.4	3.6	(7.0)
JPY	110.82	(0.1)	0.8	(0.2)	0.4	(5.3)
AUD	0.7112	(0.1)	0.7	(0.3)	0.1	(7.6)
INR	68.83	0.2	1.0	3.5	1.3	(5.7)
CNY	6.6993	(0.1)	0.4	1.0	2.7	(5.8)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,963	0.8	1.0	0	13.6	8.4
FTSE	7,355	0.9	2.4	1.9	9.6	5.8
DAX	11,550	(0.5)	(0.3)	2.2	8.8	(4.5)
NIKKEI	21,609	0.2	1.5	1.5	6.0	0.1
Shanghai Comp	3,101	0.3	3.7	12.6	22.3	(5.0)
SENSEX	38,387	0.1	1.7	8.1	5.4	16.3
Brent (USD/bbl)	67.86	(0.9)	0.9	2.0	24.9	(1.5)
Gold (USD/oz)	1,309	(0.2)	1.0	(1.3)	3.9	(1.5)
CRB Index	423.7	0.4	1.3	2.4	2.9	(3.6)
Rogers Agri Index	764.2	0.6	1.9	0.8	(0.6)	(7.7)
LIBOR (3M)*	2.61	(1)	(1)	(4)	(22)	32
INR 5Yr Swap*	6.64	3	1	(41)	(51)	(31)
<b>India FII data (US\$ mn)</b>						
	<b>19 Mar</b>	<b>18 Mar</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	386.6	135.6	522.2	1,778.1	125.5	(6,865.1)
FII-Equity	319.3	364.7	684.0	3,619.9	5,915.4	(767.5)

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, # 7.17 GS 2028 security is taken Baroda, \*\* 1Y yield is taken. Data for Indian markets are as of 20.3.19

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