

**MACRO DAILY**

22 May 2019

**Macro developments**

- As per latest forecasts by OECD, GDP growth in India is expected to accelerate to 7.5% in FY21 from 7.2% in FY19. This will be on the back of pickup in rural demand as a result of government's income support scheme for small and marginal farmers as well as better investment growth. Lower oil prices, INR appreciation and benign inflation will also help.
- Flash estimates showed that consumer confidence in both the Euro area and EU inched up by 0.8 and 1.1 points respectively. Both the indicators have been above long period averages. The uptick in consumer confidence provided relief even as growth indicators remain muted.
- Japan's exports fell for the 5th consecutive month in Apr'19, by (-) 2.4% vs (-) 1.8% in Mar'19. The decline was led by Asia (-3.3%) and Western Europe (-7%). Commodity wise the slowdown was broad-based with manufactured goods and machinery falling the most. However, situation might improve in Q2 as core machinery orders are expected to rise to 15.7% from (-) 3.2% in Q1. In Mar'19 core orders had declined by (-) 0.7%.

**Dipanwita Mazumdar**

dipanwita.mazumdar@bankofbaroda.com

**Sameer Narang**

chief.economist@bankofbaroda.com

**Markets**

- **Bonds:** Except Japan, global yields closed higher. Temporary relief was seen with US relaxing trade restriction on China's telecom equipment maker. US 10Y yield inched up by 1bps (2.43%) awaiting Fed minutes. Crude prices rose marginally by 0.3% (US\$ 72/bbl) as Saudi Arabia vowed to keep market balance. India's 10Y yield rose by 1bps (7.3%) led by selling from MFs. It was trading at 7.31% today.
- **Currency:** Global currencies closed mixed on the back of easing US-China trade dispute. While DXY and CNY rose by 0.1%, JPY and AUD fell by (-) 0.4% each. INR closed flat. It was trading higher today while Asian currencies were trading lower.
- **Equity:** Except Nikkei and Sensex, global equity indices closed higher as trade war tensions between US and China eased marginally. Shanghai Comp gained by 1.2% followed by Dax and Dow each rising by 0.8%. Sensex, on the other hand snapped its winning streak (-1%) dragged down by auto and banking stocks. While Asian markets were trading mixed today, Sensex was trading higher.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.43	1	2	(16)	(21)	(63)
UK	1.08	3	(2)	(11)	(9)	(44)
Japan	(0.05)	0	1	(1)	(2)	(10)
Germany	(0.06)	2	1	(9)	(17)	(62)
India	7.30	1	(7)	(17)	(4)	(51)
China	3.31	4	3	(10)	19	(37)
<b>2Y yields (Δ bps)</b>						
US	2.25	3	6	(13)	(23)	(31)
UK	0.74	3	2	(2)	0	(9)
Japan	(0.15)	0	0	0	3	(2)
Germany	(0.63)	2	1	(5)	(6)	(2)
India	6.61	(5)	(8)	(10)	(8)	(99)
China**	2.57	0	(2)	(11)	23	(55)
<b>Currencies (Δ %)</b>						
EUR	1.1161	0	(0.4)	(0.9)	(1.6)	(5.2)
GBP	1.2706	(0.2)	(1.5)	(2.1)	(2.7)	(5.4)
JPY	110.50	(0.4)	(0.8)	1.3	0.1	0.4
AUD	0.6883	(0.4)	(0.9)	(3.5)	(3.9)	(9.1)
INR	69.72	0	1	(0.1)	1.9	(2.5)
CNY	6.9020	0.1	(0.4)	(2.8)	(2.1)	(8.4)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,877	0.8	1.4	(2.4)	(0.1)	4.2
FTSE	7,329	0.2	1.2	(2.6)	2.1	(7)
DAX	12,143	0.8	1.3	(0.8)	7.4	(7.8)
NIKKEI	21,272	(0.1)	1	(4.3)	(0.1)	(7.4)
Shanghai Comp	2,906	1.2	0.8	(9.6)	5.5	(9.6)
SENSEX	38,970	(1.0)	4.4	0.8	10.2	12.5
Brent (USD/bbl)	72.18	0.3	1.3	(2.5)	8.6	(9.3)
Gold (USD/oz)	1,275	(0.2)	(1.7)	0	(4.9)	(1.3)
CRB Index	413.6	0.1	0.8	(2.5)	0	(7.3)
Rogers Agri Index	724.4	0.2	2.2	(1.8)	(4.6)	(15.4)
LIBOR (3M)*	2.52	0	0	(6)	(12)	19
INR 5Yr Swap*	6.90	2	(10)	20	(16)	(28)
<b>India FII data (US\$ mn)</b>						
	<b>20 May</b>	<b>17 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(1.8)	(42.7)	(1.8)	(174.6)	(476.0)	(1,492.3)
FII-Equity	231.0	(160.7)	231.0	(476.2)	9,291.1	996.5

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, \*\* 1Y yield

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For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

+91 22 6698 5713

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)