

MACRO DAILY

24 July 2019

Macro developments

- IMF has cut India's GDP forecast by 30bps for FY20 and FY21 to 7% and 7.2% respectively. This is on the back of slowing domestic demand. Global GDP is expected to grow by 3.2% in CY19 and 3.5% in CY20, downward revision of 10bps each. Further downside risks to global growth include disorderly Brexit, escalation of trade tensions, sharper than anticipated slowdown in China and heightened geo-political tensions.
- Euro Area consumer confidence improved to (-) 6.6 in Jul'19 from (-) 7.2 in Jun'19, much higher than anticipated, signalling strong domestic demand. This comes ahead of ECB's policy decision scheduled later today and against the backdrop of strong headwinds impacting global growth.
- US existing home sales fell by (-) 2.2% in Jun'19 on a MoM basis vs est.: +0.2% and (-) 1.7% in May'19. Despite lower mortgage rate (3.8% vs 7-year high of 4.9% in Nov'18) and unemployment levels, sale continues to decline. A key reason has been sharp rise in prices, with median price jumping 4.3% on a YoY basis in Jun'19. Supply side shortages are impacting the prices.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield inched up by 3bps (2.08%) as congressional negotiators struck a 2-year budget deal to raise spending by US\$ 320bn. Crude prices rose by 0.9% (US\$ 64/bbl) driven by drop in US inventories and ongoing tensions in the Middle East. India's 10Y yield rose by 4bps (6.46%) as RBI's governor's comments continue to impact investor sentiments. It is trading stable today.
- Currency:** Except CNY and INR, other global currencies closed lower. DXY rose by 0.5%, to its highest since May'19 after IMF raised US GDP forecast upwards to 2.6% in CY19. GBP fell by (-) 0.3% on reports that Boris Johnson will be the new UK PM raising concerns over no-deal Brexit. INR opened lower today in line with other Asian currencies.
- Equity:** Barring Sensex, other indices ended higher led by global cues. Dow jumped by 0.7% as US and China are set to resume trade negotiations next week. European indices also gained, boosted by strong corporate earnings and ahead of the ECB decision. Sensex continued to fall (-0.1%) for the fourth straight session dragged by auto and metal stocks. It is trading lower today, while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.08	3	(2)	3	(48)	(87)
UK	0.69	(2)	(13)	(15)	(54)	(59)
Japan	(0.14)	(1)	(2)	1	(11)	(23)
Germany	(0.36)	(1)	(11)	(7)	(40)	(75)
India	6.46	4	13	(40)	(101)	(132)
China	3.16	1	(2)	(10)	(25)	(41)
2Y yields (Δ bps)						
US	1.84	3	(1)	7	(53)	(80)
UK	0.49	(1)	(9)	(12)	(30)	(27)
Japan	(0.20)	0	(2)	3	(5)	(8)
Germany	(0.77)	0	(4)	(4)	(20)	(17)
India	6.08	1	(4)	(14)	(69)	(145)
China**	2.58	0	(1)	(7)	(12)	(49)
Currencies (Δ %)						
EUR	1.1152	(0.5)	(0.5)	(1.9)	(0.7)	(4.6)
GBP	1.2440	(0.3)	0.3	(2.3)	(3.8)	(5.4)
JPY	108.23	(0.3)	0	(0.8)	3.2	2.7
AUD	0.7005	(0.4)	(0.1)	1.1	(1.4)	(5.6)
INR	68.95	0	(0.3)	0.9	1.0	0.0
CNY	6.8792	0	0	(0.2)	(2.3)	(1.3)
Equity & Other indices (Δ %)						
DOW	27,349	0.7	0	2.4	2.6	8.3
FTSE	7,557	0.6	(0.3)	2.0	0.4	(2.0)
DAX	12,491	1.6	0.5	1.2	2.1	(1.6)
NIKKEI	21,621	1.0	0.4	1.7	(2.9)	(4.0)
Shanghai Comp	2,900	0.4	(1.3)	(3.4)	(9.3)	(0.2)
SENSEX	37,983	(0.1)	(2.9)	(3.1)	(1.5)	3.1
Brent (USD/bbl)	63.83	0.9	(0.8)	(2.1)	(14.3)	(13.1)
Gold (USD/oz)	1,418	(0.5)	0.8	1.3	11.4	15.8
CRB Index	406.0	0	0.4	(1.3)	(3.9)	(5.9)
Rogers Agri Index	735.0	0.3	(0.3)	(3.0)	0.4	(7.7)
LIBOR (3M)*	2.28	2	(2)	(7)	(30)	(5)
INR 5Yr Swap*	6.46	1	(3)	(6)	(44)	(124)
India FII data (US\$ mn)						
	22 Jul	19 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(76.7)	105.7	(76.7)	1,121.7	2,549.9	2,005.3
FII-Equity	(279.5)	(157.5)	(279.5)	(1,475.1)	9,863.7	3,018.5

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** as on 16.07.2019.

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