

## MACRO DAILY

26 June 2019

### Macro developments

- As per news reports, ministry of petroleum and natural gas has requested for additional Rs 330bn in the budget to meet FY19 subsidy dues, over Rs 248bn allocated in FY19RE. As of Mar'19, dues of IOCL were Rs 190bn (vs Rs 9bn in Mar'18), while dues of HPCL and BPCL were around Rs 80bn each. If the subsidy payment gets rolled over to FY20, then the amount sanctioned in FY20IB (Rs 375bn) will only be enough to cover the arrears.
- US new home sales fell by (-) 7.8% on a MoM basis in May'19 vs (-) 3.7% in Apr'19, led shortage of land and labour. Sales declined the most in West and Northeast regions. However, existing home sales (accounting for 90% of residential investment) rose in May'19 (2.5%) suggesting lower mortgage rates may help real estate sector recover to high of Nov'17. Separately, US consumer confidence dipped to 121.5 in Jun'19 vs 131.3 in May'19, signalling consumers are less optimistic about economic outlook in the near-term.
- BoJ's minutes revealed the policy makers are expected to remain vigilant towards the escalating cost of ongoing monetary easing programme, as it is likely to keep ultra-low interest rate for another year. The decision to continue with low rates is led by delays in achieving projected inflation rate, along with fears of slowdown in global economy propelled by US-China trade frictions and uncertainty over Brexit.

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### Markets

- Bonds:** Except India and Japan, global yields closed lower. US 10Y yield declined 3bps to close at 1.99%, its lowest level since Nov'16 after weak US consumer confidence and new home sales data. India's 10Y yield edged up by 3bps to close at 6.88% on rising oil prices (+0.3%). It is trading even higher today at 6.94% as oil prices rose above US\$ 66/bbl.
- Currency:** Global currencies closed mixed. DXY recovered some losses to close higher by 0.2% after comments from Fed officials helped quell hopes of a 50bps rate cut in Jun meeting. INR closed flat. It opened lower today, in line with other Asian currencies.
- Equity:** Barring Sensex and FTSE, other global indices closed lower. Dow slipped by (-) 0.7% after Powell trimmed market expectations on aggressive rate cuts by Fed in CY19, signalling wait and watch approach. Following global cues, Asian markets are trading lower, while Sensex is trading higher.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.99	(3)	(7)	(34)	(44)	(89)
UK	0.79	(2)	(1)	(16)	(21)	(51)
Japan	(0.16)	0	(3)	(9)	(9)	(19)
Germany	(0.33)	(2)	(1)	(21)	(32)	(67)
India	6.88	3	7	(35)	(46)	(95)
China	3.24	(1)	(1)	(7)	13	(35)
<b>2Y yields (Δ bps)</b>						
US	1.73	0	(13)	(43)	(53)	(80)
UK	0.58	(1)	(1)	(6)	(8)	(16)
Japan	(0.23)	0	(3)	(8)	(6)	(10)
Germany	(0.74)	0	2	(11)	(18)	(7)
India	6.24	3	3	(31)	(33)	(120)
China	2.63	0	(5)	4	22	(64)
<b>Currencies (Δ %)</b>						
EUR	1.1367	(0.3)	1.5	1.5	0.9	(2.4)
GBP	1.2689	(0.4)	1.0	(0.2)	(4.0)	(4.1)
JPY	107.20	0.1	1.2	1.9	3.1	2.6
AUD	0.6961	0	1.2	0.5	(2.4)	(5.9)
INR	69.35	0	0.5	0.3	(0.7)	(1.6)
CNY	6.8798	0	0.3	0.3	(2.4)	(4.6)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	26,548	(0.7)	0.3	3.8	3.5	9.3
FTSE	7,422	0.1	(0.3)	2.0	3.1	(1.5)
DAX	12,228	(0.4)	(0.8)	1.8	7.1	0
NIKKEI	21,194	(0.4)	1.1	0.4	(1.1)	(5.1)
Shanghai Comp	2,982	(0.9)	3.2	4.5	(0.5)	4.8
SENSEX	39,435	0.8	1.0	0	3.1	11.1
Brent (USD/bbl)	65.05	0.3	4.7	(5.3)	(4.3)	(14.8)
Gold (USD/oz)	1,423	0.3	5.7	10.8	8.2	13.1
CRB Index	411.0	(0.3)	(0.3)	(0.9)	(3.5)	(6.5)
Rogers Agri Index	761.1	0.1	(0.6)	3.9	(0.1)	(4.1)
LIBOR (3M)*	2.33	(2)	(5)	(19)	(26)	0
INR 5Yr Swap*	6.62	9	(15)	(19)	1	(86)
<b>India FII data (US\$ mn)</b>						
	<b>21 Jun</b>	<b>20 Jun</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(29.6)	80.8	(29.6)	1,211.4	1,447.1	902.4
FII-Equity	8.2	(143.9)	8.2	(153.0)	11,036.9	4,191.7

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

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