

## MACRO DAILY

27 March 2019

### Macro developments

- As per news reports, PFC will pay the entire Rs 145bn on 28 Mar to buy government's 52.6% stake in REC. This will take the disinvestment receipts Rs 565bn currently to Rs 710bn. Additional Rs 95bn is also expected to come in from the 5th tranche of CPSE ETF, taking the total receipts for FY19 to Rs 805bn vs FY19RE of Rs 800bn.
- US consumer confidence index declined to 124.1 in Mar'19 vs est: 132 & 131.4 in Feb'19. This is on the back of deteriorating outlook for income, business and labour market conditions. Separately, US housing starts data also showed that demand conditions remained muted as it fell the most since Jun'18.
- French economy grew at the same pace as in Q3CY18 at 0.3% in Q4CY18. Overall, while exports rose sharply to 2.2% (vs 0.6% in Q3), growth in GFCF slowed down and household consumption expenditure remained largely flat. Notably, final domestic demand contributed only 0.2points to GDP growth in Q4 vs 0.5points in Q3. The economy is expected to recover in Q1CY19 as it remains averse to global headwinds.

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### Markets

- Bonds:** Except China, global yields closed higher. This was driven by 1% increase in crude prices (US\$ 68/bbl) as OPEC's production cut and supply concerns in Venezuela outweighed global growth worries. US 10Y yield rose by 2bps (2.42%) ahead of fresh supply of securities. India's 7.26GS2029 inched up by 2bps (7.34%) driven by selling from foreign & private banks and MFs. It was trading flat today.
- Currency:** Global currencies closed mixed. DXY rose by 0.2% as US equity markets rose despite weak macroeconomic data. While AUD (0.3%), INR (0.1%) and GBP (0.1%) ended higher, JPY, EUR and CNY ended lower by (-) 0.6%, (-) 0.4% and (-) 0.1% respectively. INR opened marginally lower today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, global indices ended in green as investors moved beyond recession fears and focused on corporate earnings. Brexit development are also being watched closely. Sensex gained the highest (1.1%), led by banking and power stocks. Today, Asian markets were trading lower, while Sensex opened higher.



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

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 2.42          | 2             | (19)       | (23)       | (32)        | (35)        |
| UK                                      | 1.01          | 2             | (18)       | (15)       | (26)        | (41)        |
| Japan                                   | (0.07)        | 2             | (3)        | (3)        | (8)         | (10)        |
| Germany                                 | (0.02)        | 1             | (11)       | (11)       | (27)        | (52)        |
| India#                                  | 7.49          | 2             | (5)        | (11)       | 20          | 16          |
| China                                   | 3.13          | (2)           | (2)        | (2)        | (19)        | (61)        |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 2.27          | 2             | (20)       | (23)       | (29)        | 0           |
| UK                                      | 0.66          | 2             | (9)        | (9)        | (7)         | (23)        |
| Japan                                   | (0.17)        | 1             | (1)        | 1          | (2)         | (2)         |
| Germany                                 | (0.56)        | 0             | (3)        | 0          | 4           | 5           |
| India                                   | 6.57          | 1             | (4)        | (10)       | (29)        | (30)        |
| China**                                 | 2.41          | 1             | (1)        | 7          | (27)        | (92)        |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1266        | (0.4)         | (0.8)      | (0.6)      | (1.1)       | (9.2)       |
| GBP                                     | 1.3212        | 0.1           | (0.4)      | 1.2        | 4.2         | (6.7)       |
| JPY                                     | 110.64        | (0.6)         | 0.7        | 0          | (0.3)       | (5.0)       |
| AUD                                     | 0.7135        | 0.3           | 0.7        | 0.1        | 1.4         | (7.1)       |
| INR                                     | 68.86         | 0.1           | 0.2        | 3.2        | 1.8         | (6.0)       |
| CNY                                     | 6.7157        | (0.1)         | (0.1)      | 0          | 2.5         | (6.9)       |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| DOW                                     | 25,658        | 0.6           | (0.9)      | (1.4)      | 17.7        | 7.5         |
| FTSE                                    | 7,196         | 0.3           | (1.7)      | 0.2        | 7.6         | 2.8         |
| DAX                                     | 11,419        | 0.6           | (3.1)      | (0.3)      | 7.4         | (4.6)       |
| NIKKEI                                  | 21,428        | 2.2           | (0.6)      | 0.0        | 11.9        | 0.5         |
| Shanghai Comp                           | 2,997         | (1.5)         | (3.0)      | 6.9        | 19.7        | (5.4)       |
| SENSEX                                  | 38,233        | 1.1           | (0.3)      | 6.6        | 7.8         | 15.2        |
| Brent (USD/bbl)                         | 67.97         | 1.1           | 0.5        | 1.3        | 34.7        | (3.1)       |
| Gold (USD/oz)                           | 1,316         | (0.5)         | 0.7        | (1.0)      | 3.7         | (2.2)       |
| CRB Index                               | 425.7         | 0.1           | 1.2        | 2.6        | 3.7         | (2.4)       |
| Rogers Agri Index                       | 762.2         | (0.3)         | 0.7        | (0.4)      | 0.1         | (7.4)       |
| LIBOR (3M)*                             | 2.61          | 1             | (0)        | (4)        | (20)        | 31          |
| INR 5Yr Swap*                           | 6.61          | (3)           | 7          | (48)       | (59)        | (30)        |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>25 Mar</b> | <b>22 Mar</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 511.3         | 70.9          | 511.3      | 2,618.9    | 966.4       | (6,024.3)   |
| FII-Equity                              | (95.7)        | 209.2         | (95.7)     | 3,929.5    | 6,225.0     | (457.9)     |

Source: Bloomberg, Bank of Baroda Research| \*Indicates change in bps, # 7.17 GS 2028 security, \*\*1Y yield

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