

MACRO DAILY

27 June 2019

Macro developments

- RBI reported that currency in circulation decreased by Rs 139bn (on a weekly basis) and stood at Rs 22tn as on 21 Jun 2019. Overall reserve money grew by only 11.1% on a YoY basis compared to 24.1% a year ago. On FYTD basis, reserve money grew at a slower pace of 0.2% vs 3.3% last year.
- US durable goods orders fell by (-) 1.3% in May'19 vs (-) 2.8% in Apr'19 on a MoM basis. The decline was led by transport equipment (-4.6% in May'19 vs -7.6% in Apr'19). Orders for non-defence capital goods excl. aircraft, a proxy for business spending plans, however rose by 0.4% in May'19 after dropping by (-) 1% in Apr'19. This was on the back of increased demand for machinery, computers and electronic products.
- Central Banks of Thailand and New Zealand held their respective policy rates unchanged at 1.75% and 1.5% in the latest meeting. BoT in addition lowered its growth forecast for CY19 to 3.3% from 3.8% in Mar'19. Export growth in CY19 is expected to remain flat (0%) vs 3% projected in Mar'19. It also conveyed that future course of decision will depend upon fund inflows into the country, strength of Baht and weakness in GDP. RBNZ on other hand has expressed a need to cut more rates in the near-term.

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Markets

- **Bonds:** Global yields ended higher led by hopes of trade deal between US and China. US 10Y yield rose by 6bps (2.05%) after falling below 2% mark a day before. Crude prices rose by 2.2% (US\$ 66/bbl) as US crude stocks fell more than anticipated. India's 10Y yield too rose by 5bps to 6.93% led by surge in crude prices. It is trading lower at 6.90%.
- **Currency:** Global currencies closed mixed. DXY closed higher by 0.1% on reports that US and China have agreed on a 'truce' ahead of Trump-Xi meeting at the G-20 summit. JPY depreciated by (-) 0.6%. INR strengthened by 0.3% despite an increase in oil prices. It opened lower today, while other Asian currencies are trading mixed.
- **Equity:** Global indices closed mixed with Dow ending flat as investors await results from G-20 meeting. Markets were also impacted by dashed hopes of aggressive rate cuts by US Fed in CY19. However Sensex ended 0.4% higher led by pharma and metal stocks. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.05	6	2	(27)	(32)	(78)
UK	0.83	4	(3)	(13)	(18)	(41)
Japan	(0.14)	2	0	(7)	(7)	(18)
Germany	(0.30)	3	(2)	(16)	(22)	(62)
India	6.93	5	9	(23)	(40)	(94)
China	3.25	1	0	(10)	16	(32)
2Y yields (Δ bps)						
US	1.77	4	3	(40)	(43)	(74)
UK	0.61	3	(1)	(3)	(6)	(9)
Japan	(0.21)	2	0	(6)	(5)	(9)
Germany	(0.73)	1	1	(8)	(13)	(6)
India	6.29	5	8	(26)	(28)	(123)
China	2.63	0	(7)	8	23	(68)
Currencies (Δ %)						
EUR	1.1369	0	1.3	1.6	1.1	(1.6)
GBP	1.2690	0	0.4	0.1	(3.8)	(3.2)
JPY	107.79	(0.6)	0.3	1.6	2.5	2.2
AUD	0.6985	0.3	1.5	1.0	(1.4)	(4.8)
INR	69.16	0.3	0.8	0.5	(0.4)	(0.8)
CNY	6.8800	0	0.3	0.3	(2.3)	(4.1)
Equity & Other indices (Δ %)						
DOW	26,537	0	0.1	4.7	3.6	10.0
FTSE	7,416	(0.1)	0.2	2.0	3.1	(2.7)
DAX	12,245	0.1	(0.5)	1.4	7.2	(0.8)
NIKKEI	21,087	(0.5)	(1.2)	(0.5)	(1.4)	(5.3)
Shanghai Comp	2,976	(0.2)	2.0	2.9	(1.5)	5.8
SENSEX	39,592	0.4	1.2	(0.2)	3.8	12.4
Brent (USD/bbl)	66.49	2.2	7.6	(5.2)	(2.0)	(14.3)
Gold (USD/oz)	1,409	(1.0)	3.6	9.6	7.6	12.5
CRB Index	410.0	(0.2)	(0.4)	(1.8)	(3.8)	(6.5)
Rogers Agri Index	759.4	(0.2)	0	1.8	0.3	(4.5)
LIBOR (3M)*	2.31	(2)	(7)	(21)	(29)	(2)
INR 5Yr Swap*	6.64	1	(18)	(20)	5	(85)
India FII data (US\$ mn)						
	25 Jun	24 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(174.9)	(29.6)	(204.5)	1,036.5	1,272.2	727.6
FII-Equity	349.0	(143.9)	357.1	196.0	11,385.9	4,540.7

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

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