

## MACRO DAILY

28 August 2019

### Macro developments

- As per news reports, government might provide stimulus to real estate sector reeling due to muted demand and liquidity woes. Major initiatives which might be forthcoming are setting up of a stress fund for completion of stalled projects and changes in the definition of affordable housing. RBI's Housing Price Index (HPI) has fallen by (-) 1.2% in Mar'19 vs 1.5% growth in Dec'18. New project announcements have also fallen markedly (Residential projects: Rs 560bn in FY19 vs Rs 1.5tn in FY11).
- US consumer confidence fell to 135.1 in Aug'19 vs 135.8 in Jul'19, (est. 129.5). The present situation index rose to its highest in 19 years at 177.2, offsetting a decline in the expectations index (107 vs 112.4 in Jul'19). While consumer spending likely remained robust in Q2CY19, escalation in US-China trade war may have a dampening effect on consumer expectations.
- China's industrial profit growth in Jul'19 remained weak at (-) 1.7% vs 17.1% in Jan-Jul'18, on YTD basis. The drag was led by public sector firms (-8.1%). Industry-wise, oil processing, smelting and motor vehicles are the worst hit. Private sector, on the other hand is leading the recovery with YTD profits up by 7% vs 10.3% in the same period last year.

#### Aditi Gupta

aditi.gupta3@bankofbaroda.com

#### Sameer Narang

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields closed mixed amidst trade war uncertainty. US 10Y yield fell by (-) 6bps (1.47%) and yield curve inversion deepened-lowest since 2007. Crude prices rose by 1.4% (US\$ 60/bbl) driven by falling US inventories. Thus, India's 10Y yield rose by 5bps (6.53%). It is trading at 6.52% today.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.1% on the back of uncertainty over US-China trade negotiations. INR rose by 0.7% as RBI's surplus and dividend transfer. It is trading lower today while other Asian currencies are trading mixed.
- Equity:** Barring Dow and FTSE, other global indices closed higher. China announced 20 point program to boost domestic consumption, including removing restrictions on auto purchases, which supported German and Asian stocks. Following global cues, Asian stocks are trading mixed while Sensex is trading lower today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.47	(6)	(8)	(60)	(79)	(141)
UK	0.50	2	5	(19)	(42)	(95)
Japan	(0.26)	0	(3)	(12)	(19)	(36)
Germany	(0.69)	(3)	0	(32)	(53)	(107)
India	6.53	5	(6)	1	(62)	(137)
China	3.05	0	2	(12)	(27)	(59)
<b>2Y yields (Δ bps)</b>						
US	1.52	(2)	1	(33)	(60)	(114)
UK	0.38	(7)	(11)	(11)	(22)	(35)
Japan	(0.30)	2	0	(9)	(14)	(18)
Germany	(0.89)	1	2	(14)	(25)	(31)
India	5.77	2	(8)	(33)	(78)	(183)
China#	2.58	0	6	0	(2)	(31)
<b>Currencies (Δ %)</b>						
EUR	1.1090	(0.1)	(0.1)	(0.3)	(0.6)	(5.2)
GBP	1.2290	0.6	1.0	(0.8)	(2.9)	(4.5)
JPY	105.75	0.3	0.5	2.7	3.3	4.9
AUD	0.6752	(0.3)	(0.4)	(2.3)	(2.5)	(8.0)
INR	71.48	0.7	0.3	(3.7)	(2.6)	(2.0)
CNY	7.1617	(0.1)	(1.4)	(4.1)	(3.6)	(5.3)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	25,778	(0.5)	(0.7)	(5.2)	1.7	(1.1)
FTSE	7,090	(0.1)	(0.5)	(6.1)	(2.5)	(6.9)
DAX	11,730	0.6	0.7	(5.6)	(2.5)	(6.4)
NIKKEI	20,456	1.0	(1.1)	(5.6)	(3.8)	(10.3)
Shanghai Comp	2,902	1.3	0.8	(1.4)	(0.3)	4.5
SENSEX	37,641	0.4	0.8	(0.6)	(5.3)	(3.2)
Brent (US\$/bbl)	59.51	1.4	(0.9)	(6.2)	(15.1)	(21.6)
Gold (US\$/oz)	1,543	1.0	2.4	8.7	20.6	28.5
CRB Index	390.0	(0.5)	(1.4)	(4.0)	(6.6)	(5.4)
Rogers Agri Index	683.0	(0.2)	(0.4)	(6.9)	(8.4)	(12.0)
LIBOR (3M)*	2.14	1	(1)	(12)	(38)	(17)
INR 5Y Swap*	6.18	2	(17)	(44)	(60)	(133)
<b>India FII data (US\$ mn)</b>						
	<b>26 Aug</b>	<b>23 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	45.0	(162.6)	45.0	1,034.2	3,688.2	3,143.5
FII-Equity	(97.9)	(255.0)	(97.9)	(1,867.6)	7,537.1	691.9

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)