

MACRO DAILY

03 July 2019

Macro developments

- India's manufacturing PMI eased to 52.1 in Jun'19 from 52.7 in May'19 led by muted demand conditions. This was on account of slowing pace of improvement in factory orders and even in employment levels. Lower inflation levels is likely to stimulate subdued demand through competitive pricing in the coming months.
- Germany's retail sales fell by (-) 0.6% in May'19 on a MoM basis vs (-) 0.4% in Apr'19. On a YoY basis, sales rose by 4% in May'19 vs est. 2.7% and 4.8% in Apr'19, led by online commerce and delivery services. German economy relies heavily on private consumption for growth and as a result is expected to slowdown in Q2CY19.
- S. Korea's Finance Ministry has slashed its GDP estimates for CY19 to 2.4-2.5% vs 2.6-2.7% earlier. Sharper downgrade has been made to its export growth forecast which is now estimated at (-) 5% vs +3.1% projected earlier. This is in line with monthly data which shows that exports fell by (-) 13.5% in Jun'19 vs (-) 24.1% in May'19, taking H1CY19 growth to (-) 8.5%. Exports to China are a key concern.

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Markets

- Bonds:** Except Japan, global yields closed lower amidst slowdown in global growth indicators. RBA cut its policy rate by 25bps to a historic low of 1%. US 10Y yield closed at its lowest since Nov 2016 at 1.97%. Crude prices fell by (-) 4.1% (US\$ 62/bbl) after OPEC extended production cut till Mar'20. India's 10Y yield edged down by 4bps (6.84%) on global cues and surplus liquidity in the system surging to Rs 1.4tn as on 2 Jul 2019. It was trading further lower at 6.81% today.
- Currency:** Global currencies closed mixed amidst fears of global growth slowdown and dovish comments from RBA and BoE governor. While GBP and CNY depreciated by (-) 0.4% & (-) 0.3% respectively, JPY appreciated by 0.5%. INR closed flat. It is trading higher today while Asian currencies are trading lower.
- Equity:** Barring Shanghai Comp and Dax, global indices closed higher led by optimism over US-China trade talks. FTSE gained by 0.8% followed by Dow at 0.3%. Sensex too was up by 0.3% led by energy stocks. It is trading higher today, while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.97	(5)	(1)	(15)	(50)	(86)
UK	0.72	(9)	(7)	(16)	(28)	(52)
Japan	(0.15)	0	1	(5)	(8)	(18)
Germany	(0.37)	(1)	(4)	(17)	(32)	(66)
India	6.84	(4)	(4)	(19)	(43)	(104)
China	3.17	(6)	(7)	(12)	0	(33)
2Y yields (Δ bps)						
US	1.76	(3)	3	(16)	(54)	(76)
UK	0.53	(9)	(6)	(8)	(11)	(17)
Japan	(0.21)	1	2	(4)	(6)	(9)
Germany	(0.76)	0	(2)	(10)	(15)	(9)
India	6.26	(3)	1	(19)	(27)	(133)
China	2.59	(3)	(4)	7	22	(53)
Currencies (Δ %)						
EUR	1.1285	0	(0.7)	1	0.7	(3.2)
GBP	1.2593	(0.4)	(0.8)	(0.3)	(4.1)	(4.5)
JPY	107.88	0.5	(0.6)	0.4	3.1	2.5
AUD	0.6994	0.4	0.5	0.8	(1.1)	(5.3)
INR	68.94	0	0.6	1.1	(0.3)	(0.5)
CNY	6.8734	(0.3)	0.1	0.5	(2.2)	(3.5)
Equity & Other indices (Δ %)						
DOW	26,787	0.3	0.9	7.9	2.3	10.8
FTSE	7,559	0.8	1.8	5.6	2.3	(0.4)
DAX	12,527	0	2.4	6.8	6.6	1.4
NIKKEI	21,754	0.1	2.6	5.6	1.2	(0.1)
Shanghai Comp	3,044	0	2.1	5	(4.2)	9.2
SENSEX	39,816	0.3	1	0.3	1.9	12.5
Brent (USD/bbl)	62.40	(4.1)	(4.1)	(3.2)	(10.0)	(19.8)
Gold (USD/oz)	1,419	2.5	(0.3)	8.7	9.8	13.2
CRB Index	403.6	(0.6)	(1.8)	(3.0)	(5.3)	(7.7)
Rogers Agri Index	742.0	(0.6)	(2.5)	(1.3)	(1)	(6.2)
LIBOR (3M)*	2.33	1	2	(17)	(27)	(1)
INR 5Yr Swap*	6.73	3	11	9	50	(99)
India FII data (US\$ mn)						
	1 Jul	28 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	75.9	270.7	75.9	75.9	1,504.2	959.6
FII-Equity	(125.1)	(82.5)	(125.1)	(125.1)	11,213.7	4,368.5

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

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