

MACRO DAILY

30 August 2019

Macro developments

- RBI in its Annual Report explained the transfer of a record amount of Rs 1.76tn to government (Rs 500bn last year). This is led by a 55% and 33% rise in interest from domestic securities and foreign securities respectively. The rest can be attributed to implementation of Jalan Committee report (Rs 526bn) and exchange gain from forex transactions of Rs 291.4bn.
- US Q2CY19 GDP growth (QoQ annualised basis) was revised downward to 2% from 2.1% earlier and 3.1% in Q1. Barring private consumption expenditure (revised upward), all other components were revised downward. While PCE rose by a robust 4.7% in Q2 vs 1% in Q1, private investment fell by (-) 6.1% vs +6.1% in Q1. Residential investment declined by (-) 2.9% vs (-) 1% in Q1, indicating continued weakness in real estate.
- CPI inflation in Germany cooled off to 1.4% in Aug'19 vs 1.7% in Jul'19 (est., 1.5%). This was led by a deceleration in energy prices (0.6% vs 2.4%). With oil prices continuing to remain soft, inflation is unlikely to edge up. This raises hopes for a fresh stimulus from the ECB as growth in the region continues to languish.

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Markets

- **Bonds:** Global yields closed mixed amidst progress over US-China trade deal, muted inflation in Germany and expected monetary stimulus from ECB. US 10Y yield rose by 2bps (1.49%). Crude rose by 1% (US\$ 61/bbl) on fear of approach of Hurricane Dorian. India's 10Y yield fell by (-) 2bps (6.55%) on account of short covering. It is trading at 6.57% today.
- **Currency:** Except INR (flat) and CNY (+0.3%), other global currencies closed lower. DXY rose by 0.3% on reports that US and China are set to start trade negotiations. GBP depreciated by (-) 0.3%. INR opened flat today, while other Asian currencies are trading mixed.
- **Equity:** Global indices closed mixed with Dow rising the most (1.3%) and Sensex losing the most (-1%). US & European markets were supported by China signalling cooling off the trade tensions with US and renegotiating trade deal. Sensex's losses were led by metal and banking stocks. Following global cues, 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	1.49	2	(12)	(57)	(72)	(136)
UK	0.44	(1)	(8)	(22)	(46)	(102)
Japan	(0.29)	(1)	(5)	(14)	(21)	(40)
Germany	(0.69)	2	(5)	(30)	(52)	(104)
India	6.55	(2)	(1)	14	(58)	(138)
China	3.04	(2)	(2)	(15)	(26)	(57)
2Y yields (Δ bps)						
US	1.52	2	(9)	(34)	(54)	(113)
UK	0.36	1	(16)	(11)	(25)	(38)
Japan	(0.31)	(1)	(1)	(10)	(15)	(20)
Germany	(0.91)	(3)	(5)	(15)	(27)	(31)
India	5.77	2	(4)	(27)	(73)	(190)
China#	2.59	(1)	(2)	0	4	(26)
Currencies (Δ %)						
EUR	1.1057	(0.2)	(0.2)	(0.8)	(0.6)	(5.3)
GBP	1.2181	(0.3)	(0.6)	(0.3)	(3.4)	(6.4)
JPY	106.52	(0.4)	(0.1)	2.1	2.8	4.0
AUD	0.6728	(0.1)	(0.4)	(2.5)	(2.7)	(7.4)
INR	71.79	0	0	(4.5)	(2.7)	(1.5)
CNY	7.1445	0.3	(0.9)	(3.6)	(3.5)	(4.4)
Equity & Other indices (Δ %)						
Dow	26,362	1.3	0.4	(3.2)	4.7	1.4
FTSE	7,184	1.0	0.8	(6.5)	(0.5)	(4.4)
DAX	11,839	1.2	0.8	(4.7)	(0.5)	(5.2)
NIKKEI	20,461	(0.1)	(0.8)	(5.3)	(2.3)	(10.5)
Shanghai Comp	2,891	(0.1)	0.3	(1.7)	(0.5)	5.6
SENSEX	37,069	(1.0)	1.6	(1.6)	(6.9)	(4.2)
Brent (US\$/bbl)	61.08	1.0	1.9	(4.1)	(8.7)	(21.5)
Gold (US\$/oz)	1,528	(0.7)	2.0	7.1	18.5	27.3
CRB Index	388.2	(0.5)	(1.6)	(4.7)	(7.0)	(5.5)
Rogers Agri Index	685.8	(0.1)	(0.1)	(6.8)	(9.7)	(11.7)
LIBOR (3M)*	2.12	1	(1)	(13)	(40)	(20)
INR 5Y Swap*	6.23	4	(3)	(35)	(52)	(119)
India FII data (US\$ mn)						
	28 Aug	27 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	15.8	358.4	419.2	1,408.4	4,062.4	3,517.7
FII-Equity	(176.4)	(147.6)	(421.8)	(2,191.5)	7,213.1	367.9

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield

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