

## MACRO DAILY

30 September 2019

### Macro developments

- Government has reviewed the progress in capex spending in H1FY20. Till Aug'19, 42% of total capex has been spent. As per the Union Budget, Rs 3.39tn has been allocated as GBS (vs Rs 3.17tn in FY19RE) and Rs 5.38tn as IEBR (vs Rs 6.13tn in FY19RE) for capex. Government has also asked ministries to provide their capex plans for the next 4-quarters. Further, it has said that around 90% of outstanding GST dues have been cleared.
- Industrial profits in China declined by (-) 2% in Aug'19 after an increase of 2.6% in Jul'19. This was led by a drop in sales and producer prices as well as the impact of typhoons. In CYTD19, industrial profits fell by (-) 1.7% with profits in state owned enterprises falling by (-) 8.6%. Sector wise, car manufacturing industries recorded a steep decline of (-) 19% between Jan-Aug'19 amidst the US-China trade war.
- US new durable goods orders rose by only 0.2% in Aug'19 from 2% in Jul'19. Reflecting weaker demand for electrical equipment, computers and appliances, orders for non-defense capital goods excluding aircraft moderated by 0.2% in Aug'19. However, inventories of manufactured durable goods rose by 0.3%, led by transportation equipment (1.2%).

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### Markets

- Bonds:** Global yields closed mixed amidst muted US durable goods orders, subdued industrial profits in China and easing concerns over trade war. US 10Y yield fell by 1bps (1.68%). Crude prices declined by (-) 1.3% (US\$ 62/bbl). India's 10Y yield rose by 2bps (6.74%) on account of apprehension about higher borrowing in H2. However it is trading lower at 6.71% today.
- Currency:** Except JPY and GBP, other global currencies closed higher. EUR rose by 0.2% even as economic sentiment index in the region plunged in Sep'19. GBP depreciated for the 3rd straight session, weighed down by Brexit uncertainty. DXY closed unchanged. INR rose by 0.4% as oil prices moderated. In line with Asian currencies, INR is trading higher today.
- Equity:** Global indices closed mixed amidst political uncertainty in the US, with Nikkei (-0.8%) falling the most, followed by Dow (-0.3%). Sensex too ended in red (-0.4%) dragged down by metal and real estate stocks. It was trading further lower today; while Asian stocks are trading mixed.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.68	(1)	(4)	19	(33)	(137)
UK	0.50	(2)	(13)	6	(33)	(110)
Japan	(0.24)	1	(3)	5	(8)	(36)
Germany	(0.57)	1	(5)	12	(25)	(110)
India	6.74	2	(5)	18	(14)	(129)
China	3.15	1	5	11	(9)	(49)
<b>2Y yields (Δ bps)</b>						
US	1.63	(2)	(5)	11	(12)	(120)
UK	0.40	(5)	(13)	3	(22)	(44)
Japan	(0.32)	1	(2)	(1)	(10)	(20)
Germany	(0.77)	(2)	(5)	14	(2)	(28)
India	5.81	1	0	4	(49)	(206)
China	2.56	0	2	(3)	(7)	(42)
<b>Currencies (Δ %)</b>						
EUR	1.0940	0.2	(0.7)	(1.1)	(3.8)	(6.0)
GBP	1.2292	(0.3)	(1.5)	0.9	(3.2)	(6.0)
JPY	107.92	(0.1)	(0.3)	(1.3)	(0.1)	4.8
AUD	0.6764	0.2	0	0.5	(3.6)	(6.2)
INR	70.56	0.4	0.5	1.7	(2.2)	2.8
CNY	7.1228	0.1	(0.4)	0.3	(3.7)	(3.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,820	(0.3)	(0.4)	1.7	0.8	1.4
FTSE	7,426	1.0	1.1	3.4	0	(1.6)
DAX	12,381	0.8	(0.7)	4.6	(0.1)	(0.4)
NIKKEI**	21,879	(0.8)	(0.9)	6.9	2.8	(8.1)
Shanghai Comp	2,932	0.1	(2.5)	1.4	(1.6)	5.0
SENSEX	38,823	(0.4)	2.1	4.7	(1.5)	6.9
Brent (US\$/bbl)	61.91	(1.3)	(3.7)	1.4	(7.0)	(24.2)
Gold (US\$/oz)	1,497	(0.5)	(1.3)	(2.0)	6.2	26.6
CRB Index	387.5	(0.1)	0.5	(0.2)	(5.0)	(7.0)
Rogers Agri Index	704.2	0.1	0.8	2.7	(6.3)	(8.4)
LIBOR (3M)*	2.10	(1)	(4)	(3)	(22)	(30)
INR 5Y Swap*	6.38	7	3	15	(36)	(143)
<b>India FII data (US\$ mn)</b>						
	<b>26 Sep</b>	<b>25 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(205.7)	10.3	(283.0)	(106.6)	4,140.6	3,596.0
FII-Equity	1,569.8	(49.6)	1,810.2	1,039.6	8,245.6	1,400.4

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

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