

MACRO DAILY

31 May 2019

Macro developments

- India's growth is expected to moderate in Q4FY19 at 6.4% vs 6.6% in Q3FY19 & 8.1% in Q4FY18 on the back of muted consumption demand and sluggish manufacturing activity. In FY19, GDP is expected to have risen by 7% vs 7.2% in FY18. However, government's efforts to stimulate consumption demand through PM KISAN, and investments through affordable housing and infra will help boost growth in the near term.
- US GDP growth was revised downwards to 3.1% in Q1CY19 vs 3.2% earlier. This was mainly on the back of lower non-residential fixed investment and private inventory investment. Core PCE index, Fed's preferred measure for inflation, rose by just 1% in Q1 vs 1.3% according to the earlier estimate, raising hopes of a rate cut by Fed as inflation continues to remain soft.
- China official manufacturing PMI index fell to 49.4 in May'19 from 50.1 in Apr'19. The decline was broad based, with new orders (49.8 vs 51.4 in Apr'19) and new export orders (46.5 vs 49.2 in Apr'19) falling the most. The slowdown is also more on part of weaker activity in the SME segment vs large enterprises (50.3). The non-manufacturing PMI index however remained unchanged from the previous month at 54.3 in May'19.

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Markets

- Bonds:** Global yields closed mixed on the back of softer inflation print in the US and trade war concerns. US 10Y yield closed lower by 3bps (2.22%). Crude fell by 4% (US\$ 67/bbl) as US crude production rose to its record 12.3mn bpd. India's 10Y yield edged up by 2bps (7.14%) led by selling from foreign banks. It was trading lower at 7.07% today.
- Currency:** Except CNY, other global currencies closed lower against the USD as US-China trade dispute lingered on. DXY, EUR and JPY closed flat. INR depreciated by (-) 0.1% as investors awaited more details on the new Cabinet. It opened higher today.
- Equity:** Barring Nikkei & Shanghai Comp, other indices closed higher. DAX and FTSE rose on news of possible merger between KKR-Axel Springer and growing weight behind rejection of "no-deal" Brexit. Sensex jumped as investors expect new measures to support growth to be announced soon. Asian stocks were trading mixed today, while Sensex opened higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.22	(3)	(11)	(31)	(50)	(65)
UK	0.90	1	(6)	(26)	(41)	(33)
Japan	(0.08)	1	(2)	(4)	(6)	(12)
Germany	(0.18)	0	(6)	(18)	(36)	(52)
India	7.14	2	(10)	(28)	(27)	(69)
China	3.30	0	(2)	(14)	12	(34)
2Y yields (Δ bps)						
US	2.06	(5)	(9)	(23)	(45)	(37)
UK	0.61	2	(3)	(13)	(21)	0
Japan	(0.16)	1	(1)	(2)	(1)	(2)
Germany	(0.64)	1	0	(6)	(12)	2
India	6.50	(1)	(5)	(32)	(20)	(114)
China**	2.55	(2)	(2)	(12)	13	(62)
Currencies (Δ %)						
EUR	1.1129	0	(0.5)	(0.5)	(2.1)	(4.8)
GBP	1.2608	(0.1)	(0.4)	(2.5)	(4.9)	(5.2)
JPY	109.62	0	0	1.8	1.6	(0.7)
AUD	0.6912	(0.1)	0.2	(2)	(2.6)	(8.7)
INR	69.88	(0.1)	0.2	(0.5)	1.2	(3.7)
CNY	6.9019	0.2	0.1	(2.5)	(3.1)	(7.7)
Equity & Other indices (Δ %)						
DOW	25,170	0.2	(1.3)	(5.2)	(2.9)	3.1
FTSE	7,218	0.5	(0.2)	(3.0)	2.0	(6.0)
DAX	11,902	0.5	(0.4)	(3.5)	3.4	(5.6)
NIKKEI	20,943	(0.3)	(1.0)	(5.9)	(2.1)	(5.7)
Shanghai Comp	2,906	(0.3)	1.9	(5.1)	(1.2)	(6.1)
SENSEX	39,832	0.8	2.6	2.1	11.1	12.8
Brent (USD/bbl)	66.87	(3.7)	(1.3)	(7.2)	1.3	(13.8)
Gold (USD/oz)	1,289	0.7	0.4	0.7	(1.9)	(0.8)
CRB Index	417.4	0.5	1.1	(1.1)	1.1	(6.5)
Rogers Agri Index	759.1	1.7	5.3	4.7	1.1	(11.6)
LIBOR (3M)*	2.52	0	0	(6)	(9)	20
INR 5Yr Swap*	6.75	4	(14)	(37)	(38)	(43)
India FII data (US\$ mn)						
	29 May	28 May	WTD	MTD	CYTD	FYTD
FII-Debt	76.5	139.6	372.7	359.1	57.7	(958.6)
FII-Equity	(14.5)	671.0	1,079.0	983.3	10,750.6	2,455.9

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

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