

**MACRO DAILY**

05 July 2019

**Macro developments**

- India's Economic Survey has given a blue sky scenario for a US\$ 5tn economy by 2025 which requires GDP growth of 8% with investments as the key driver of growth. Along with this, new set of reforms such as clearing legal logjam, labour reforms, reducing cost of capital and incentivizing MSMEs to invest, will help in achieving this ambitious target. The Survey also reiterated fiscal prudence will drive real interest rates lower and thus lead to higher savings rate to achieve the virtuous cycle of growth.
- Retail sales in the Euro Area declined by (-) 0.3% in May'19 vs (-) 0.1% in Apr'19 (est. 0.4% rise), on MoM basis. This has been the second straight month of decline reflecting muted demand conditions. On YoY basis as well, retail sales grew at a slower pace of 1.3% in May'19 vs 1.8% in Apr'19.
- S. Korea's current account registered a surplus of US\$ 49.5bn in May'19 vs US\$ 6.6bn deficit in Apr'19. This was driven by surplus in primary income account at US\$ 11.6bn vs deficit of US\$ 43.3bn in Apr'19. However, goods trade surplus slipped to US\$ 53.9bn in May'19 vs 56.7bn in Apr'19. Continued trade spat with Japan is expected to take more toll on the goods trade balance in the coming months.

**Markets**

- Bonds:** Except China, global yields closed lower as fear of global growth slowdown persisted. Crude prices also fell by (-) 0.8% (US\$ 63/bbl). Germany's 10Y yield, fell to (-) 0.4% and matched the ECB's deposit rate for the first time, signalling rate cut by ECB. India's 10Y yield declined the most by 9bps (6.75%) amidst expectation of maintaining 3.4% fiscal deficit target for FY20. In the morning session, yield was trading at 6.76% eyeing the release of Union Budget.
- Currency:** Barring INR, other global currencies traded in a narrow range ahead of the US jobs report. INR appreciated for the 9th straight session (up 0.5%) on the back of falling oil prices. It however opened slightly lower today in line with other Asian currencies.
- Equity:** Global indices closed mixed on rising expectations of a rate cut by Fed. Sensex ended in green supported by buoyant DII inflows of Rs 0.5bn. It is trading higher today ahead of the Union budget. Asian stocks on the other hand are trading lower.

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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.95	(2)	(10)	(12)	(57)	(88)
UK	0.68	(1)	(15)	(19)	(41)	(58)
Japan	(0.16)	(1)	(1)	(6)	(11)	(19)
Germany	(0.40)	(1)	(8)	(20)	(39)	(70)
India	6.75	(9)	(15)	(23)	(60)	(115)
China	3.16	0	(10)	(10)	(10)	(35)
<b>2Y yields (Δ bps)</b>						
US	1.76	0	(1)	(7)	(58)	(79)
UK	0.51	1	(9)	(6)	(18)	(22)
Japan	(0.22)	0	(1)	(4)	(6)	(9)
Germany	(0.76)	0	(2)	(11)	(18)	(11)
India	6.23	(1)	(5)	(17)	(35)	(139)
China	2.56	(1)	(7)	3	16	(49)
<b>Currencies (Δ %)</b>						
EUR	1.1285	0.1	(0.7)	0.4	0.6	(3.5)
GBP	1.2579	0	(0.7)	(0.7)	(3.8)	(4.9)
JPY	107.82	0	0	0.2	3.4	2.5
AUD	0.7022	(0.1)	0.2	0.6	(1.3)	(4.9)
INR	68.52	0.5	0.8	1.1	0.9	0.6
CNY	6.8716	0.1	0.1	0.5	(2.3)	(3.5)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	26,966	0.7	1.6	8.6	2.2	10.7
FTSE	7,604	(0.1)	2.7	5.8	2.7	0.0
DAX	12,630	0.1	2.9	7.1	5.4	1.3
NIKKEI	21,702	0.3	1.7	6.3	(0.1)	0.7
Shanghai Comp	3,005	(0.3)	0.3	4.0	(7.4)	9.9
SENSEX	39,908	0.2	0.8	(0.9)	3.2	12.2
Brent (USD/bbl)	63.30	(0.8)	(4.9)	3.3	(8.8)	(18.2)
Gold (USD/oz)	1,416	(0.2)	0.4	6.8	9.6	12.6
CRB Index	405.6	0.5	(1.1)	(2.6)	(5.1)	(7.0)
Rogers Agri Index	749.8	1.1	(1.3)	(0.7)	(0.7)	(5.5)
LIBOR (3M)*	2.29	(2)	(4)	(19)	(30)	(5)
INR 5Yr Swap*	6.71	1	(3)	15	30	(98)
<b>India FII data (US\$ mn)</b>						
	<b>3 Jul</b>	<b>2 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(106.5)	184.8	154.3	154.3	1,582.6	1,037.9
FII-Equity	(186.0)	(225.1)	(536.3)	(536.3)	10,802.6	3,957.4

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | US markets were closed yesterday

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