

MACRO DAILY

06 June 2019

Macro developments

- India's services PMI fell to 50.2 in May'19 vs 51 in Apr'19. The weaker pace of expansion in services activity may be explained by elections. On the other hand, manufacturing PMI was higher at 52.7. A sharp decline in crude prices in the last few days does open up room for RBI to cut rates, but MPC may want to wait for budget on 5 Jul 2019 and look at trajectory of monsoon before it cuts rates later in Aug'19.
- World Bank has revised downward India's growth projection at 7.2% in FY19 vs 7.3% earlier driven by muted global growth environment (global growth forecast was revised down by 0.3% at 2.6% in CY19). However, growth projection for FY20 and FY21 has been retained at 7.5% on account of improved confidence, moderate inflation and robust investment.
- Amidst fears of slowdown in global economy, Eurozone inflation cools off to 1.2% in May'19 from 1.7% in Apr'19, way below ECB's target level and ahead of the policy meet. In addition, Eurozone unemployment rate fell to 7.6% in Apr'19, lowest level since CY08, signalling tighter labor market conditions.

Jahnvi

jahnvi@bankofbaroda.com

Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed amid US-Mexico woes. Investors are keeping an eye on ECB's upcoming policy after Reserve Bank of Australia has cut its cash rate to support growth. US 10Y yield inched up by 1bps (2.13%) supported by robust ISM non-manufacturing data. Crude fell by (-) 2.2% (US\$ 61/bbl) driven by rising US inventories. India's 10Y yield closed higher by 4bps (7.02%). It is trading lower at 6.98% today, in anticipation of a rate cut from RBI.
- Currency:** Global currencies closed lower against the dollar. DXY rose by 0.3%. EUR fell by (-) 0.3% ahead of the ECB meet scheduled later today. AUD too fell by (-) 0.3% after central bank slashed its policy rate for the first time in 3 years. INR is trading lower today, while Asian currencies are trading higher.
- Equity:** Global indices largely ended higher as the likelihood of rate cut by Fed in CY19 became more prominent. Nikkei and Dow gained the most at 1.8% and 0.8% respectively. Sensex opened lower today ahead of the RBI's policy. Asian markets on the other hand, were trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.13	1	(13)	(33)	(56)	(84)
UK	0.86	(4)	(3)	(36)	(36)	(51)
Japan	(0.12)	(2)	(3)	(8)	(12)	(18)
Germany	(0.23)	(2)	(5)	(23)	(35)	(69)
India	7.02	4	(13)	(37)	(37)	(90)
China	3.24	0	(5)	(12)	4	(44)
2Y yields (Δ bps)						
US	1.86	3	(25)	(43)	(66)	(66)
UK	0.57	0	(2)	(22)	(18)	(15)
Japan	(0.22)	(4)	(5)	(7)	(8)	(9)
Germany	(0.68)	(3)	(3)	(8)	(16)	(8)
India	6.41	1	(13)	(36)	(29)	(123)
China**	2.53	(2)	(6)	(9)	11	(67)
Currencies (Δ %)						
EUR	1.1221	(0.3)	0.8	0.2	(0.8)	(4.7)
GBP	1.2687	(0.1)	0.5	(3.1)	(3.7)	(5.4)
JPY	108.46	(0.3)	1.0	2.1	3.0	1.6
AUD	0.6970	(0.3)	0.8	(0.3)	(0.9)	(9.1)
INR	69.26	0	0.6	0.2	1.5	(3.5)
CNY	6.9089	0	0.1	(2.1)	(2.9)	(8.1)
Equity & Other indices (Δ %)						
DOW	25,540	0.8	1.6	(3.4)	(0.5)	1.6
FTSE	7,220	0.1	0.5	(2.2)	0.3	(6.4)
DAX	11,981	0.1	1.2	(2.5)	3.4	(6.6)
NIKKEI	20,776	1.8	(1.1)	(5.2)	(3.8)	(8.2)
Shanghai Comp	2,861	0	(1.8)	(1.5)	(7.8)	(8.1)
SENSEX	40,084	(0.5)	0.8	3.8	9.4	13.9
Brent (USD/bbl)	60.63	(2.2)	(12.7)	(14.9)	(8.1)	(19.5)
Gold (USD/oz)	1,330	0.4	3.9	3.8	3.4	2.6
CRB Index	415.3	0	(0.0)	(0.5)	0.6	(6.9)
Rogers Agri Index	742.2	(1.6)	(0.6)	4.1	(0.7)	(12.2)
LIBOR (3M)*	2.47	0	(5)	(9)	(12)	15
INR 5Yr Swap*	6.65	1	(5)	(59)	(38)	(61)
India FII data (US\$ mn)						
	3 Jun	31 May	WTD	MTD	CYTD	FYTD
FII-Debt	104.1	275.1	104.1	104.1	339.8	(676.5)
FII-Equity	338.6	142.4	338.6	338.6	11,528.5	3,233.9

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** 1Y yield, Indian markets were closed on 5.6.19

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com