


MACRO DAILY

06 May 2019

Macro developments

- India's forex reserves rose to the highest in a year at US\$ 418.5bn in the week ended 26 Apr 2019. On a weekly basis, forex reserves rose by US\$ 4.4bn vs a decline of US\$ 739mn last week. In CYTD19, forex reserves have increased by US\$ 25.1bn compared with US\$ 11bn in the same period last year supported by RBI's dollar-rupee swap as well as strong FII inflows.
- Producer prices in the Euro Area inched down to 2.9% in Mar'19 vs 3% in Feb'19 on a YoY basis. Excluding energy prices, PPI was lower at 1% in Mar'19 vs 1.2% in Feb'19. In a separate print, flash estimate showed that CPI is expected to edge up by 1.7% in Apr'19 vs 1.4% in Mar'19. This will be on the back of higher energy prices driven by rising crude (6.4% in Apr'19).
- US reported strong non-farm payroll additions in Apr'19 (263,000 vs 189,000 in Mar'19), leading to 49 year low unemployment rate of 3.6% in Apr'19 vs 3.8% in Mar'19. This was additionally supported by easing labour force participation rate (62.8% vs 63% in Mar'19). Average hourly wages continued to rise by 3.2% in Apr'19. This eases fears of hard landing of the US economy in CY19.

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Markets

- Bonds:** Global yields closed mixed. Despite robust employment data, US 10Y yield declined by 2bps (2.53%) as wage growth missed estimate, implying tighter labour market might not impact inflation. Crude prices rose marginally by 0.1% (US\$ 71/bbl) amid hopes of strengthening demand and easing supply side concerns. Thus India's 7.26GS2029 yield closed stable at 7.39%. It was trading at 7.38% today.
- Currency:** Barring CNY which closed flat, other global currencies closed higher on the back of a weaker dollar. DXY fell by (-) 0.3% after US non-manufacturing PMI fell to a 20-month low. While GBP gained 1.1%, JPY was up by 0.4%. INR rose by 0.2%. It was trading lower today, in line with other Asian currencies.
- Equity:** Global equity indices ended higher after unemployment in the US fell to its lowest mark in over half a century. Dow soared by 0.7% followed by Dax (0.5%). Sensex ended flat looking for global cues. Both Asian markets and Sensex were trading lower today led by escalation in US-China trade spat. US has threatened to raise US\$ 200bn tariff on Chinese goods.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.53	(2)	3	5	(16)	(42)
UK	1.22	3	8	22	(3)	(18)
Japan	(0.04)	0	0	2	(3)	(9)
Germany	0.03	(1)	5	7	(14)	(52)
India#	7.50	0	(3)	8	(11)	(23)
China	3.40	(3)	(0)	33	29	(24)
2Y yields (Δ bps)						
US	2.33	(1)	5	3	(17)	(16)
UK	0.80	3	7	16	2	2
Japan	(0.15)	0	0	1	2	(2)
Germany	(0.59)	0	1	2	(1)	(1)
India	6.77	0	(3)	25	(22)	(61)
China**	2.66	(1)	(3)	29	27	(26)
Currencies (Δ %)						
EUR	1.1198	0.2	0.4	(0.1)	(2.3)	(6.4)
GBP	1.3173	1.1	2.0	0.3	0.7	(2.6)
JPY	111.10	0.4	0.4	0.2	(1.5)	(1.8)
AUD	0.7018	0.3	(0.3)	(0.7)	(3.2)	(6.9)
INR	69.22	0.2	1.1	(0.7)	2.9	(3.5)
CNY	6.7349	0	(0.1)	(0.2)	0.2	(5.8)
Equity & Other indices (Δ %)						
DOW	26,505	0.7	(0.1)	2.2	5.7	9.2
FTSE	7,381	0.4	(0.6)	1.4	5.1	(2.5)
DAX	12,413	0.5	0.8	7.7	11.0	(3.2)
NIKKEI	21,505	0	0.4	1.4	3.4	(4.3)
Shanghai Comp	3,078	0.5	(3.8)	(0.4)	17.6	(0.4)
SENSEX	38,963	0	(0.3)	0.8	6.8	11.6
Brent (USD/bbl)	70.85	0.1	(1.8)	3.6	12.9	(5.4)
Gold (USD/oz)	1,279	0.7	(0.5)	(1.0)	(2.9)	(2.7)
CRB Index	418.6	0	(0.9)	(1.9)	1.4	(6.2)
Rogers Agri Index	720.4	(0.3)	(1.1)	(3.1)	(7.3)	(15.8)
LIBOR (3M)*	2.58	0	0	(2)	(16)	21
INR 5Yr Swap*	7.24	1	12	77	2	16
India FII data (US\$ mn)						
	2 May	30 Apr	WTD	MTD	CYTD	FYTD
FII-Debt	(18.8)	(108.5)	(127.3)	(18.8)	(320.1)	(1,336.5)
FII-Equity	78.4	(130.6)	(52.3)	78.4	9,845.7	1,551.0

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security, ** 1Y yield. Japanese markets are shut since 1.5.19.

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