

MACRO DAILY

08 March 2019

Macro developments

- RBI notified the interest subvention scheme for short term crop loans for the years 2018-19 and 2019-20. Under the scheme, farmers will get loan up to Rs 3lakh at an interest of 7% per annum with subvention of 2% to the lending institutions. In addition, further 2% interest subvention would also be given for early and timely repayments, thereby making effective interest to 4% p.a for these loans.
- US jobless claims for the week ended 2 Mar 2019 fell by 3,000 to 223,000 against expectations that claims would be unchanged at 225,000. The four-week moving average of initial claims also fell by 3,000 to 226,250, its lowest level in a month pointing to strong labour market conditions.
- ECB has kept its policy rates unchanged. It has significantly revised its growth & inflation projections downward by 60bps & 40bps respectively to 1.1% & 1.2% in 2019. In an effort to maintain favourable credit conditions in the economy, ECB has also launched a new series of quarterly targeted longer-term refinancing operations (TLTRO-III), which in turn might lend support to the muted demand conditions of the economy.

Dipanwita Mazumdar

dipanwita.mazumdar@bankofbaroda.com

Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except Japan and India, global yields closed lower. This was driven by ECB signalling significant downside risks to global growth. US 10Y yield rose by 5bps (2.64%) amid dovish comments from ECB. Crude prices inched up by 0.5% (US\$ 66/bbl). India's 7.26GS2029 closed flat at 7.39%. It was also trading flat today.
- **Currency:** Except JPY and INR, other major currencies closed lower as dollar strengthened. DXY gained 0.8% after ECB slashed its growth forecast for the region. EUR slipped by (-) 1%. INR appreciated for the 3rd consecutive session (up 0.4%) to close at 70.01/\$, on the back of FII inflows. It was however trading lower today, in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp and Sensex, global indices ended lower over concerns of slowdown in global economy. Dow (-0.8%) lost the most followed by Nikkei (-0.7%) and Dax (-0.6%). Both Asian markets and Sensex opened lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.64	(5)	(8)	(8)	(26)	(22)
UK	1.17	(6)	(13)	(11)	(7)	(30)
Japan	(0.01)	0	2	0	(7)	(6)
Germany	0.07	(6)	(12)	(11)	(17)	(56)
India#	7.58	1	(1)	(9)	16	(8)
China	3.18	(2)	0	6	(14)	(68)
2Y yields (Δ bps)						
US	2.47	(4)	(4)	(6)	(29)	22
UK	0.73	(2)	(9)	(5)	(1)	(7)
Japan	(0.14)	0	1	3	0	1
Germany	(0.55)	(3)	(3)	2	8	1
India	6.70	0	(7)	(33)	(39)	(28)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1193	(1.0)	(1.6)	(2.1)	(1.6)	(9.1)
GBP	1.3085	(0.6)	(1.3)	0.4	2.4	(5.3)
JPY	111.58	0.2	(0.2)	(1.5)	1.0	(5.0)
AUD	0.7016	(0.2)	(1.1)	(2.9)	(3.0)	(9.9)
INR	70.01	0.4	1.0	2.5	1.3	(7.5)
CNY	6.7150	(0.1)	(0.3)	0.5	2.4	(5.9)
Equity & Other indices (Δ %)						
DOW	25,473	(0.8)	(1.7)	0.9	2.1	2.3
FTSE	7,158	(0.5)	1.2	1.8	6.8	(0.6)
DAX	11,518	(0.6)	0	3.1	6.5	(6.8)
NIKKEI	21,456	(0.7)	0.3	2.7	(0.2)	0.4
Shanghai Comp	3,106	0.1	5.6	18.6	19.2	(5.5)
SENSEX	36,725	0.2	2.4	0.4	4.0	10.1
Brent (USD/bbl)	66.30	0.5	0.4	6.1	10.4	4.2
Gold (USD/oz)	1,286	(0.1)	(2.1)	(2.0)	3.9	(2.8)
CRB Index	413.6	0.1	0.2	0	(0.7)	(7.5)
Rogers Agri Index	739.5	(1.1)	(1.6)	(5.1)	(4.6)	(13.6)
LIBOR (3M)*	2.59	(1)	(2)	(14)	(17)	52
INR 5Yr Swap*	7.01	(2)	(12)	(23)	(27)	8
India FII data (US\$ mn)						
	6 Mar	5 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	154.8	(49.9)	105.0	166.8	(1,501.3)	(8,492.0)
FII-Equity	196.5	(264.2)	(67.7)	519.2	2,596.6	(4,086.3)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken.

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com