

MACRO DAILY

09 September 2019

Macro developments

- Indian government has set up a taskforce to prepare the roadmap of “national infrastructure pipeline” in the next 5 years. The taskforce headed by Economic Affairs Secretary would analyse the financial and technical viability of projects (greenfield and brownfield projects above Rs 1bn). This is a part of government’s Rs 100tn infra plan to revive investment demand.
- China’s exports declined by (-) 1% in Aug’19 (est. +2.2%) after rising by 3.3% in Jul’19. Amidst rising trade tensions, exports to US fell by (-) 16%. Imports also declined for the 4th month by (-) 5.6%, as domestic demand remains weak. Earlier, PBOC cut its RRR by 50bps to 13% for all banks and an additional 100bps for qualified city commercial banks which would release US\$ 126bn liquidity in the market and support growth.
- US non-farm payrolls rose by 130,000 vs est.: 150,000 and 159,000 in Jul’19. Weakness was visible in private payrolls (+96,000) which rose at the slowest pace since Feb’19. Services sector (retail trade, transportation and utilities) lost 13,000 jobs in Aug’19 alone. However, unemployment rate remained unchanged for the 3rd consecutive month at 3.7% in Aug’19. Average hourly earnings rose by 0.4% on a MoM basis vs (-) 0.2% in Jul’19.

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Markets

- Bonds:** Global yields closed mixed as US payroll numbers rose less than expected in Aug’19. As a result, US 10Y yield closed flat at 1.56%. Crude prices rose by 1% (US\$ 62/bbl) as Powell said Fed would “act as appropriate” to sustain economic growth. India’s 10Y yield rose by 2bps (6.6%). It is trading lower at 6.58% today.
- Currency:** Global currencies closed mixed. DXY closed flat as weaker than expected US jobs report raised hopes of more rate cuts by Fed. GBP fell by (-) 0.4% due to uncertainty over Brexit. INR rose by 0.2%. It opened further higher today in line with other Asian currencies.
- Equity:** Global indices closed higher on the back of positive developments over US-China trade deal. Sensex gained (0.9%) the most amongst other indices, led by DII inflow of Rs 1.2bn. Even European indices ended in green. Sensex is trading lower today; while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.56	0	6	(14)	(52)	(138)
UK	0.51	(9)	3	(1)	(31)	(95)
Japan	(0.24)	2	3	(6)	(12)	(35)
Germany	(0.64)	(4)	6	(10)	(38)	(103)
India	6.60	2	4	26	(37)	(143)
China	3.01	(1)	(5)	(6)	(24)	(64)
2Y yields (Δ bps)						
US	1.54	1	4	(31)	(31)	(116)
UK	0.39	(5)	(1)	(20)	(14)	(37)
Japan	(0.29)	(1)	0	(11)	(10)	(19)
Germany	(0.87)	0	6	(14)	(20)	(32)
India	5.71	0	(8)	(41)	(57)	(215)
China#	2.58	0	(1)	0	6	(26)
Currencies (Δ %)						
EUR	1.1029	(0.1)	0.4	(1.5)	(2.7)	(4.5)
GBP	1.2283	(0.4)	1.0	0.9	(3.6)	(4.9)
JPY	106.92	0	(0.6)	(0.4)	1.2	3.7
AUD	0.6846	0.5	1.7	1.3	(2.2)	(3.7)
INR	71.73	0.2	(0.4)	(1.3)	(3.2)	0.0
CNY	7.1164	0.5	0.6	(1.3)	(3.0)	(4.0)
Equity & Other indices (Δ %)						
Dow	26,797	0.3	1.5	3.0	3.1	3.4
FTSE	7,282	0.2	1.0	1.5	(0.7)	0.1
DAX	12,192	0.5	2.1	5.4	1.2	1.9
NIKKEI	21,200	0.5	2.4	3.0	1.5	(5.0)
Shanghai Comp	3,000	0.5	3.9	8.0	6.1	11.0
SENSEX	36,982	0.9	(0.9)	0	(6.6)	(3.7)
Brent (US\$/bbl)	61.54	1.0	1.8	4.4	(2.8)	(19.9)
Gold (US\$/oz)	1,507	(0.8)	(0.9)	2.2	12.4	25.9
CRB Index	388.0	0.1	(0.1)	(2.7)	(5.3)	(5.8)
Rogers Agri Index	674.5	(0.6)	(1.2)	(4.4)	(9.4)	(13.1)
LIBOR (3M)*	2.10	(1)	(3)	(8)	(35)	(23)
INR 5Y Swap*	6.10	(2)	(9)	(32)	(52)	(147)
India FII data (US\$ mn)						
	5 Sep	4 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	103.8	(24.7)	334.0	334.0	4,581.1	4,036.5
FII-Equity	(57.8)	(174.8)	(670.8)	(670.8)	6,535.3	(309.9)

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

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