

## MACRO DAILY

25 February 2019

### Macro developments

- According to Skymet, there is more than 50% chance of India receiving normal monsoon in CY19. This will likely give a boost to the agriculture sector, though much would depend on the spread and distribution of rainfall. Last year, the country received below normal monsoon at 91% of LPA, much lower than Skymet (100%) and IMD's first forecast (97%).
- Japan's services PPI (both headline & core) fell by (-) 0.5% in Jan'19 vs (-) 0.1% in Dec'18. The decline in core PPI (ex-international transportation) was broad-based, led by advertising services (-2.6% vs 0.2% in Dec'18), domestic air passenger (-6.9% vs 1.7% in Dec'18) & freight transportation (-2.5% vs 3.3% in Dec'18), and real estate (-0.2% vs 1.4% in Dec'18).
- US wholesale inventories rose to its highest since Oct'13 by 1.1% in Dec'18 vs estimate of 0.4% growth. This was followed by a 3rd straight month of decline in sales. Earlier data also showed that retail sales also recorded their biggest drop in 9 years in Dec'18. Thus these data indicate softening demand conditions in the US.

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### Markets

- **Bonds:** Except India and Japan, global yields closed higher over rising possibility of a delay in Brexit. Investors are also awaiting Jerome Powell's testimony before the Senate Banking Committee to look for future course of fund rate. Crude prices declined by 3.5% (US\$ 65/bbl) over US President's comments on OPEC prices being too high. As a result, 7.17GS2028 declined by 2bps (7.58%). It was trading flat today.
- **Currency:** Safe-haven JPY and DXY declined after US President indicated that the US would delay imposing higher tariffs on Chinese imports. CNY on the other hand rose to a 7-month high while AUD also appreciated by 0.5%. GBP rose by 0.3% on reports of a possible delay in Brexit deadline. INR was trading weaker today, while Asian currencies were trading higher.
- **Equity:** Global indices ended higher as US delayed its March 1 deadline of imposing additional tariffs on China. Shanghai comp saw its biggest single day gain soaring by 5.6%. Sensex gained by 1%, on the back of stronger global cues and GST council slashing rates for the real estate sector. However, both Asian markets and Sensex opened lower today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.66	1	0	(8)	(39)	(20)
UK	1.18	2	1	(9)	(23)	(33)
Japan	(0.04)	0	(1)	(4)	(13)	(8)
Germany	0.11	1	(0)	(10)	(25)	(54)
India#	7.58	(2)	0	3	(15)	(11)
China	3.17	3	6	2	(24)	(70)
<b>2Y yields (Δ bps)</b>						
US	2.51	1	(1)	(8)	(32)	28
UK	0.76	1	3	(1)	(1)	(4)
Japan	(0.17)	0	0	(1)	(3)	(2)
Germany	(0.56)	1	1	2	1	(2)
India	6.68	0	(7)	(31)	(64)	(27)
China	2.61	1	2	(15)	(50)	(97)
<b>Currencies (Δ %)</b>						
EUR	1.1358	0.2	0.4	(0.6)	0.3	(7.8)
GBP	1.3097	0.3	1.3	(0.5)	2.1	(6.2)
JPY	111.06	(0.3)	(0.4)	(1.6)	2.2	(3.9)
AUD	0.7167	0.5	0.5	0.0	(0.7)	(8.8)
INR	70.98	0.2	0.5	0.2	(0.2)	(9.5)
CNY	6.6891	0.4	1.1	0.8	3.6	(5.9)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	26,092	0.2	0.8	6.4	5.9	1.5
FTSE	7,184	0.1	(0.5)	6.5	2.1	(1.5)
DAX	11,505	0.4	1.8	2.6	1.3	(8.2)
NIKKEI	21,528	0.5	1.2	4.3	(1.3)	(2.8)
Shanghai Comp	2,961	5.6	7.5	14.0	15.0	(11.1)
SENSEX	36,213	1.0	2.0	1.6	2.4	5.1
Brent (USD/bbl)	64.76	(3.5)	(2.6)	8.1	7.1	(4.1)
Gold (USD/oz)	1,328	(0.1)	0.1	1.9	8.6	(0.5)
CRB Index	414.2	(0.2)	0.2	0.4	0.2	(6.8)
Rogers Agri Index	758.7	(0.8)	(0.6)	(2.4)	(0.8)	(9.9)
LIBOR (3M)*	2.65	(0)	(4)	(12)	(4)	69
INR 5Yr Swap*	7.06	(3)	1	(12)	(47)	(8)
<b>India FII data (US\$ mn)</b>						
	<b>22 Feb</b>	<b>21 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(115.0)	103.2	(261.2)	(370.8)	(737.9)	(7,728.6)
FII-Equity	1,703.5	(47.5)	1,618.2	1,602.2	1,526.9	(5,156.0)

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

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