

MACRO DAILY

03 October 2019

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 12.9bn and stood at Rs 21.8tn for the week ending 27 Sep 2019. Reserve money rose by 12% on a YoY basis, compared with 18.6% a year ago. On a FYTD basis, reserve money increased by only 0.6% as against 3% last year.
- Business activity in the Eurozone slowed further in Sep'19 as the composite PMI fell to 50.1 from 51.9 in Aug'19. Services sector activity which showed some resilience, moderated (services PMI at 51.6 vs 53.5 in Aug'19), with Germany noting a sharp decline (51.4 vs 54.8, 83-month low). Even in the UK, services PMI fell to 6-month low of 49.5 in Sep'19 from 50.6.
- US non-manufacturing ISM indicates services activity is cooling down with index slipping from 56.4 in Aug'19 to 52.6 in Sep'19. The decline was led by dip in new orders and employment. Separately, official data for Aug'19 also confirmed that factory orders in Aug'19 fell by (-) 0.1% vs (-) 0.3% in Jul'19. Core factory orders fell even more steeply (-0.4% vs -0.2% in Jul'19). In addition, US jobless claims for the week ending 28 Sep 2019 rose to 219,000 vs 215,000 in the week before.

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Markets

- **Bonds:** Global yields declined with US 10Y yield falling by 7bps (1.53%) amidst dismal US macro print (services PMI, jobless claims, factory orders). Crude prices remained flat at US\$ 58/bbl. India's 10Y yield fell by 5bps (6.61%) ahead of RBI policy meet, expecting another rate cut. It is trading flat today.
- **Currency:** Except CNY, other global currencies closed higher against the dollar. DXY fell for the 3rd straight session (-0.2%), as weak US services PMI raised fresh growth concerns. AUD (+0.5%) and INR (+0.3%) rose the most. Tracking other Asian currencies, INR is trading higher today.
- **Equity:** Barring Dow, other global indices ended in red on the back of weak global services PMI (US, UK, Germany). European indices fell with Dax dropping by (-) 2.8% over concerns of slowdown in global economy. Even Sensex ended in red dragged down by metal and real estate stocks. However, it is trading higher today; while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.53	(7)	(16)	4	(42)	(165)
UK	0.47	(3)	(5)	6	(21)	(120)
Japan	(0.20)	(3)	5	7	(4)	(36)
Germany	(0.59)	(4)	(1)	11	(19)	(112)
India	6.61	(5)	(10)	9	(14)	(154)
China	3.14	0	4	6	(2)	(48)
2Y yields (Δ bps)						
US	1.39	(9)	(27)	(11)	(37)	(148)
UK	0.36	(2)	(8)	3	(15)	(52)
Japan	(0.32)	(2)	0	(3)	(11)	(22)
Germany	(0.78)	(2)	(3)	15	(2)	(27)
India	5.65	(5)	(15)	(3)	(59)	(232)
China	2.56	0	2	(3)	0	(41)
Currencies (Δ %)						
EUR	1.0965	0.1	0.4	0	(2.8)	(4.8)
GBP	1.2332	0.2	0	2.2	(2.0)	(5.3)
JPY	106.92	0.2	0.8	(0.6)	0.8	6.1
AUD	0.6742	0.5	(0.1)	0.4	(4.0)	(4.7)
INR	70.88	0.3	0	2.1	(3.4)	3.7
CNY	7.1483	(0.4)	(0.4)	0.3	(4.0)	(4.1)
Equity & Other indices (Δ %)						
Dow	26,201	0.5	(2.6)	0.3	(2.8)	(1.6)
FTSE	7,078	(0.6)	(3.7)	(2.8)	(6.9)	(4.6)
DAX	11,925	(2.8)	(2.5)	(0.2)	(5.6)	(2.6)
NIKKEI**	21,342	(2.0)	(3.2)	3.5	(1.7)	(11.0)
Shanghai Comp	2,905	(0.9)	(2.4)	(0.6)	(3.3)	3.0
SENSEX	38,107	(0.5)	(2.3)	4.2	(4.5)	8.4
Brent (US\$/bbl)	57.71	0	(8.0)	(1.6)	(8.8)	(31.8)
Gold (US\$/oz)	1,505	0.4	0	(1.6)	6.3	25.4
CRB Index	388.8	0.1	0.2	0.6	(4.2)	(6.8)
Rogers Agri Index	713.1	0.3	1.4	5.3	(4.9)	(8.6)
LIBOR (3M)*	2.06	(3)	(5)	(8)	(25)	(35)
INR 5Y Swap*	6.31	(7)	-	15	(40)	(151)
India FII data (US\$ mn)						
	30 Sep	27 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(79.1)	(46.6)	(125.7)	(352.9)	3,894.2	3,349.6
FII-Equity	(216.7)	(42.3)	(259.0)	738.0	7,944.1	1,098.9

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Note: Markets in China were closed on 3 Oct.

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