

## MACRO DAILY

22 October 2019

### Macro developments

- As per MoSPI data, implementation cost of 1,608 projects was Rs 19.2tn and their completion cost is estimated to be higher at Rs 23.1tn. Thus, reflecting cost overrun. Out of this, around 360 infra projects above Rs 1.5bn have shown cost overrun to the tune of Rs 3.9tn in Jun'19, due to delays in land acquisition, forest clearance and supply of equipment.
- Japan's exports fell by (-) 5.2% in Sep'19 vs (-) 8.2% in Aug'19 and est.: (-) 4%. Decline in exports to China (-6.7% vs -12.1% in Aug'19) and W. Europe eased (3.4% vs -1.5% in Aug'19). However, exports to US (-7.9% vs -4.4% in Aug'19) continued to decline further. Led by lower oil and commodity prices, import growth also fell to (-) 1.5% in Sep'19 from (-) 11.9% in Aug'19.
- In contrast to market expectations, PBOC kept its policy rates unchanged. 1Y Loan Prime Rate (LPR) remains at 4.2% vs est. 4.15%. The decision comes despite weaker than estimated GDP growth in Q3CY19 (6%) vs Q2 (6.2%) and continued weakness in real estate sector. New home prices was unchanged at 0.5% in Sep'19. Excessive monetary easing is being avoided to keep the already high debt levels in the country in check.

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### Markets

- Bonds:** Except India, global yields closed higher amidst speculation over US-China trade negotiations in the upcoming APEC meeting. US 10Y yield rose by 5bps (1.8%). Oil prices declined by (-) 0.8% (US\$ 59/bbl) as Brexit woes persisted. India's 10Y yield fell by 1bps (6.7%). It is trading at 6.71% today.
- Currency:** Global currencies closed mixed. AUD (0.2%) and CNY (0.1%) rose as US and China made progress on a trade deal. However, EUR and GBP fell by (-) 0.2% as Brexit uncertainty still looms. INR is trading higher today, while other Asian currencies are trading mixed.
- Equity:** Global indices closed higher amidst optimism surrounding US-China trade talks. European indices too ended in green despite uncertainty around Brexit. Dax (0.9%) gained the most followed by Nikkei, Dow and FTSE each up by 0.2%. Sensex is trading higher today ahead of the earnings report, in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 1.80          | 5             | 7          | 8          | (25)        | (140)       |
| UK                                      | 0.75          | 4             | 11         | 12         | 4           | (78)        |
| Japan                                   | (0.13)        | 1             | 5          | 8          | 1           | (28)        |
| Germany                                 | (0.34)        | 4             | 11         | 18         | 0           | (79)        |
| India <sup>^</sup>                      | 6.70          | (1)           | (3)        | 8          | 28          | (123)       |
| China                                   | 3.22          | 3             | 5          | 12         | 7           | (39)        |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 1.62          | 5             | 3          | (6)        | (19)        | (129)       |
| UK                                      | 0.55          | 1             | 5          | 3          | 5           | (22)        |
| Japan                                   | (0.23)        | 0             | 6          | 6          | (4)         | (12)        |
| Germany                                 | (0.66)        | 0             | 4          | 5          | 11          | (8)         |
| India                                   | 5.58          | (1)           | (10)       | (17)       | (49)        | (205)       |
| China <sup>#</sup>                      | 2.56          | 0             | 0          | 2          | (2)         | (35)        |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1150        | (0.2)         | 1.1        | 1.2        | (0.5)       | (2.7)       |
| GBP                                     | 1.2960        | (0.2)         | 2.8        | 3.9        | 3.9         | (0.0)       |
| JPY                                     | 108.62        | (0.2)         | (0.2)      | (1.0)      | (0.7)       | 3.7         |
| AUD                                     | 0.6868        | 0.2           | 1.4        | 1.5        | (2.4)       | (3.0)       |
| INR                                     | 71.15         | 0             | (0.2)      | 0.1        | (3.2)       | 3.3         |
| CNY                                     | 7.0760        | 0.1           | (0.1)      | 0.2        | (2.8)       | (1.8)       |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| Dow                                     | 26,828        | 0.2           | 0.2        | (0.4)      | (1.3)       | 6.0         |
| FTSE                                    | 7,164         | 0.2           | (0.7)      | (2.5)      | (4.7)       | 1.7         |
| DAX                                     | 12,748        | 0.9           | 2.1        | 2.2        | 3.7         | 10.6        |
| NIKKEI                                  | 22,549        | 0.2           | 3.4        | 2.7        | 5.3         | (0.3)       |
| Shanghai Comp                           | 2,940         | 0.1           | (2.3)      | (2.2)      | 1.8         | 10.7        |
| SENSEX                                  | 39,298        | 0.6           | 2.8        | 3.4        | 3.3         | 15.1        |
| Brent (US\$/bbl)                        | 58.96         | (0.8)         | (0.7)      | (8.3)      | (6.8)       | (26.1)      |
| Gold (US\$/oz)                          | 1,485         | (0.4)         | (0.6)      | (2.1)      | 4.2         | 21.5        |
| CRB Index                               | 392.2         | 0             | 0.1        | 1.7        | (3.4)       | (5.9)       |
| Rogers Agri Index                       | 727.0         | (0.5)         | 0.1        | 4.1        | (0.8)       | (7.9)       |
| LIBOR (3M)*                             | 1.95          | (1)           | (5)        | (20)       | (33)        | (53)        |
| INR 5Y Swap*                            | 6.47          | 0             | 8          | 13         | 2           | (123)       |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>17 Oct</b> | <b>16 Oct</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 39.7          | 53.8          | 22.7       | 60.8       | 4,034.1     | 3,489.5     |
| FII-Equity                              | 178.5         | 125.4         | 1,474.5    | 738.6      | 8,899.3     | 2,054.1     |

Source: Bloomberg, Bank of Baroda | <sup>^</sup>7.26% GS 2029 | \*Indicates change in bps | #1Y yield | Indian markets were closed on 21.10.2019

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