MACRO DAILY

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Macro developments

- Media reports suggested that India is proposing to create a new entity namely National Infrastructure Credit Enhancement Ltd or NICE. For this purpose, NABARD and NHB will be roped in as investors and IIFCL will hold 22.5% of the stake. This might be beneficial in meeting the infrastructural gap of the economy.
- Taiwan's export orders continued to fall in Apr'19 by (-) 3.7% on a YoY basis vs (-) 9% in Mar'19. Softening demand for optical equipment (-8.9%) and electrical machinery products (-4.6%) from mainland China (-9.9%) is a key cause of concern. Led by ongoing trade tensions, ministry expects export order to decline between 7.6-10% in May'19.
- Japan's GDP rose at an annualized pace of 2.1% in Q1CY19 on a YoY basis, from 1.6% in Q4CY19. This was above estimate of a (-) 0.2% contraction and was led by a sharper fall in imports (-4.6% QoQ) than exports (-2.4% QoQ). Apart from public spending (1.5% QoQ), all other components of GDP declined suggesting that the economy remains weak.

Markets

- **Bonds:** Except India, global yields closed higher. Investors' concern about trade war persisted. US 10Y yield rose by 2bps (2.42%) ahead of the release of Fed minutes. Crude prices closed at US$ 72/bbl as OPEC and its allies confirmed to maintain production cuts. India's 7.26GS2029 declined by 8bps (7.29%) supported by exit poll outcome of NDA coming to power. It was trading at 7.3% today.
- **Currency:** Global currencies were mostly higher against the dollar. DXY fell by (-) 0.1% as investors await minutes of the Fed policy meet. While JPY and GBP closed flat, EUR and CNY gained 0.1%. INR appreciated by 0.7% after exit poll results predicted a win for the ruling NDA in the general elections. It opened flat today while Asian currencies were trading mixed.
- **Equity:** Except Nikkei and Sensex, global equity indices closed lower amidst growing tensions surrounding US and China. Dax (-1.6%) fell the most as US imposed restrictions on Chinese telecom Huawei, weighing down on the tech sector. Sensex soared by 3.7% as exits polls predicted incumbent government will be re-elected. While Asian markets were trading mixed today, Sensex was trading higher.

FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.42	2	1	(14)	(25)	(64)
UK	1.06	2	(5)	(14)	(11)	(42)
Japan	(0.04)	1	1	(1)	(2)	(10)
Germany	(0.09)	2	(2)	(11)	(20)	(61)
India#	7.29	(8)	(10)	(13)	(8)	(52)
China	3.27	1	0	(11)	16	(43)
2Y yields (Δ bps)						
US	2.22	2	3	(16)	(29)	(34)
UK	0.71	2	0	(5)	(2)	(8)
Japan	(0.15)	0	0	0	2	(2)
Germany	(0.64)	0	(2)	(7)	(8)	(2)
India	6.66	(1)	(4)	(3)	(8)	(89)
China**	2.57	(3)	(3)	(11)	26	(55)
Currencies (Δ %)						
EUR	1.1166	0.1	(0.5)	(0.7)	(1.3)	(5.3)
GBP	1.2726	0.0	(1.8)	(2.1)	(1.5)	(5.2)
JPY	110.06	0.0	(0.7)	1.7	0.5	0.9
AUD	0.6908	0.6	(0.5)	(3.4)	(3.1)	(8.9)
INR	69.74	0.7	1.1	(0.6)	2.2	(2.4)
CNY	6.9123	0.1	(0.5)	(3.1)	(2.2)	(8.3)
Equity & Other indices (Δ %)						
DOW	25,680	(0.3)	1.4	(3.3)	(0.8)	2.7
FTSE	7,311	(0.5)	2.1	(2.0)	1.3	(7.0)
DAX	12,041	(1.6)	1.4	(1.5)	6.6	(8.6)
NIKKEI	21,302	0.2	0.5	(3.6)	0.1	(7.4)
Shanghai Comp	2,871	(0.4)	(1.1)	(11.7)	4.2	(10.7)
SENSEX	39,353	3.7	6.1	0.5	10.9	13.7
Brent (USD/bbl)	71.97	(0.3)	2.5	0	8.2	(9.2)
Gold (USD/oz)	1,278	0	(1.7)	0.2	(3.7)	(1.1)
CRB Index	413.4	0.2	1.2	(2.8)	0	(7.2)
Rogers Agri Index	723.0	1.5	3.9	(2.6)	(5.3)	(15.3)
LIBOR (3M)*	2.52	0	(1)	(6)	(12)	19
INR 5Yr Swap*	6.88	(16)	(21)	20	(18)	(29)
India FII data (US$ mn)	**17 May**	**16 May**	**WTD**	**MTD**	**CYTD**	**FYTD**
FII-Debt	(42.7)	(35.1)	415.2	(172.9)	(474.2)	(1,490.5)
FII-Equity	(160.7)	(131.6)	(855.1)	(707.2)	9,060.1	765.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.26 GS 2029 security is taken, ** 1Y yield is taken.

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