


MACRO DAILY

21 May 2019

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.

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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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