

MACRO DAILY

01 March 2019

Macro developments

- India's GDP and GVA growth moderated to 6.6% and 6.3% in Q3FY19 from 7% and 6.8% in Q2 as government spending and agriculture production slipped. Investment spending was stable. However, as government reigns in its capex to meet fiscal target and a global trade slowdown bites, GDP growth is projected to slip to 7% from 7.2% in FY18.
- Growth in India's eight core industries moderated to a 19-month low of 1.8% in Jan'19 from 2.7% in Dec'18. This was on the back of the slowdown in output of steel to 8.2% from 12.9% in Dec'18. Electricity output contracted by (-) 0.4% in Jan'19 compared with 4.4% in Dec'18. However, on a cumulative basis, infrastructure index rose to 4.5% in Apr-Jan'19 from 4.1% in the previous year.
- US GDP grew at an annualised rate of 2.6% in Q4CY18 (est: 2.5%) vs 3.4% in Q3CY18. The slowdown in the last quarter was attributable to muted consumption demand which grew by 2.8% in Q4CY18 vs 3.5% in Q3. Separately, jobless claims rose by 8,000 to 225,000 as on 23 Feb 2019 compared to the previous week. However, the 4-week moving average fell by 7,000 to 229,000 indicating a buoyant labour market.

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Markets

- Bonds:** Global yields closed mixed as uncertainty reigned over global growth prospects. Despite slowdown observed in GDP for Q4CY18, US 10Y yield inched up by 3bps (2.72%) as the print was marginally better than expected. 7.26GS2029 yield declined by 6bps (7.41%) supported by RBI's dependence over longer term variable repos and pacifying border tensions.
- Currency:** Better than expected US GDP data and US-China trade deal dominated investor sentiments. While EUR and DXY closed flat, other global currencies edged lower. INR appreciated by 0.7%. It was however trading lower today, in line with other Asian currencies.
- Equity:** Barring Dax, other global indices ended lower, with Nikkei down by (-) 0.8%, followed by FTSE (-0.5%) and Shanghai Comp (-0.4%). This was largely due to disappointing China data and abrupt end to the US-N.Korea summit. Today, Asian markets were trading mixed, while Sensex opened higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.72	3	2	(3)	(31)	(9)
UK	1.30	3	10	4	(6)	(17)
Japan	(0.02)	0	2	(2)	(10)	(7)
Germany	0.18	4	6	(2)	(14)	(46)
India#	7.59	(8)	5	5	(2)	(15)
China	3.18	0	4	2	(21)	(68)
2Y yields (Δ bps)						
US	2.51	2	(1)	(8)	(29)	30
UK	0.83	0	7	5	6	6
Japan	(0.15)	1	3	1	(1)	1
Germany	(0.52)	1	4	6	8	4
India	6.76	8	10	(23)	(49)	(22)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1371	0	0.3	(0.5)	(0.2)	(7.3)
GBP	1.3263	(0.3)	1.7	0.8	3.7	(3.7)
JPY	111.39	(0.4)	(0.6)	(1.9)	1.8	(4.8)
AUD	0.7094	(0.6)	0.0	(1.0)	(3.1)	(8.5)
INR	70.75	0.7	0.7	0.5	(1.3)	(8.6)
CNY	6.6941	(0.1)	0.4	0.8	3.6	(5.3)
Equity & Other indices (Δ %)						
DOW	25,916	(0.3)	0.3	5.7	2.3	5.3
FTSE	7,075	(0.5)	(1.3)	4.9	0.5	(1.4)
DAX	11,516	0.2	0.8	2.7	1.9	(5.5)
NIKKEI	21,385	(0.8)	(0.4)	3.6	(3.9)	(1.6)
Shanghai Comp	2,941	(0.4)	6.9	13.2	14.5	(10.2)
SENSEX	35,867	(0.1)	(0.1)	0.6	(0.8)	5.3
Brent (USD/bbl)	66.03	(0.5)	(1.6)	10.2	11.0	3.4
Gold (USD/oz)	1,313	(0.5)	(0.8)	0.8	7.3	(0.3)
CRB Index	412.8	(0.1)	(0.2)	0.1	(0.3)	(7.1)
Rogers Agri Index	751.2	(0.4)	(1.8)	(3.4)	(2.4)	(12.5)
LIBOR (3M)*	2.63	0	(2)	(12)	(11)	60
INR 5Yr Swap*	7.13	0	8	(5)	(35)	16
India FII data (US\$ mn)						
	27 Feb	26 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(177.8)	(237.7)	(459.7)	(830.5)	(1,197.6)	(8,188.3)
FII-Equity	(58.4)	233.9	429.1	2,031.3	1,955.9	(4,727.0)

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

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