

MACRO DAILY

10 May 2019

Macro developments

- RBI data showed that bank credit grew by 13% in Apr'19 vs 13.3% in the previous month and 12% in Apr'18. Deposit growth was at 9.7% in Apr'19 vs 10% in Mar'19 & 7.8% in Apr'18. Both demand and time deposits grew at a stable pace. CD ratio was lower by 60bps at 77.1% in Apr'19 vs 77.7% in Mar'19. Credit deposit wedge was higher at 330bps vs 323bps in Mar'19.
- China's PPI rose by 0.9% in Apr'19 vs est.: 0.6% and 0.4% in Mar'19. This was driven by escalation in oil, gas and metal prices. In a bid to support GDP growth, China has fast tracked its big infrastructure projects, thus leading to rise in cost construction material. This has also led to earnings rebound in Q1CY19. Separately, China's CPI also rose in Apr'19, by 2.5% vs 2.3% in Mar'19, owing to supply side disruptions rather than stronger demand.
- US PPI rose by 0.2% in Apr'19 from 0.6% in Mar'19 (est.: 0.2%). However, core PPI rose by 0.4% in Apr'19, the highest since Jan'18 suggesting a pickup in inflationary pressure. Separate data showed that weekly jobless claims fell by only 2,000 to 228,000 (est.: 220,000) for the week ended 4 May indicating that the labour market is losing steam.

Sonal Badhan

sonal.badhan@bankofbaroda.com

Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed amid reigning trade tensions between US and China. US 10Y yield closed lower by 4bps (2.44%) on the back of buoyant labour conditions. However, during the trading session US 10-year yield curve fell below the 3-year, indicating fear of recession. Brent closed flat at US\$ 70/bbl. India's 726GS2029 yield closed higher by 2bps at 7.40% led by selling from foreign and private banks. It was trading flat today.
- **Currency:** Barring INR and CNY, other global currencies closed higher on the back of escalating US-China trade tensions. JPY rose by 0.3% to its highest in over 3-months. DXY fell by (-) 0.3%. INR depreciated by (-) 0.3%. It was trading even lower today while other Asian currencies were trading mixed.
- **Equity:** As the tariff timeline loomed over, investors turned cautious and this in turn pushed global equity indices ended lower. Dax declined by (-) 1.7% followed by Shanghai Comp (- 1.5%) and Nikkei (-0.9%). Sensex ended in red for the 7th straight session led by energy and telecom sectors. Both Asian markets and Sensex were trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.44	(4)	(10)	(8)	(21)	(52)
UK	1.13	(1)	(6)	1	(5)	(31)
Japan	(0.05)	0	(1)	0	(4)	(10)
Germany	(0.05)	0	(8)	(5)	(16)	(60)
India#	7.49	2	(1)	(7)	(1)	(22)
China	3.31	(4)	(9)	5	20	(39)
2Y yields (Δ bps)						
US	2.26	(4)	(9)	(10)	(22)	(27)
UK	0.74	(1)	(3)	3	2	(5)
Japan	(0.16)	0	(1)	0	0	(2)
Germany	(0.63)	(1)	(4)	(5)	(5)	(5)
India	6.74	(3)	(3)	8	(7)	(77)
China**	2.60	0	(6)	21	18	(30)
Currencies (Δ %)						
EUR	1.1215	0.2	0.4	(0.4)	(1.1)	(5.9)
GBP	1.3014	0.1	(0.1)	(0.4)	0.5	(3.7)
JPY	109.74	0.3	1.6	1.6	0.1	(0.3)
AUD	0.6989	0	(0.2)	(1.9)	(1.6)	(7.2)
INR	69.95	(0.3)	(0.8)	(0.4)	2.1	(3.9)
CNY	6.8274	(0.7)	(1.4)	(1.7)	(1.9)	(7.5)
Equity & Other indices (Δ %)						
DOW	25,828	(0.5)	(1.8)	(1.9)	2.6	4.4
FTSE	7,207	(0.9)	(2.0)	(3.3)	1.6	(6.4)
DAX	11,974	(1.7)	(3.0)	0.1	8.6	(8.1)
NIKKEI	21,402	(0.9)	(3.8)	(1.7)	3.1	(4.9)
Shanghai Comp	2,851	(1.5)	(7.4)	(12.1)	10.3	(10.2)
SENSEX	37,559	(0.6)	(3.6)	(2.9)	1.6	6.6
Brent (USD/bbl)	70.39	0	(0.5)	(1.0)	14.2	(9.1)
Gold (USD/oz)	1,284	0.2	1.1	(1.0)	(2.0)	(2.8)
CRB Index	412.5	(0.4)	(1.4)	(3.0)	(0.2)	(7.1)
Rogers Agri Index	701.8	(1.0)	(2.9)	(6.5)	(9.2)	(16.9)
LIBOR (3M)*	2.55	(2)	(2)	(4)	(15)	19
INR 5Yr Swap*	7.10	(3)	(13)	65	(2)	(10)
India FII data (US\$ mn)						
	8 May	7 May	WTD	MTD	CYTD	FYTD
FII-Debt	128.8	(13.1)	115.5	(531.9)	(833.2)	(1,849.6)
FII-Equity	(110.3)	405.5	339.7	405.1	10,172.4	1,877.7

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security, ** 1Y yield

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com