


MACRO DAILY

11 March 2019

Macro developments

- As per news reports, finance ministry is expected to borrow around 60% of the budgeted estimate of Rs 7.1tn in H1FY20. This will be on the back of higher redemption (Rs 2.37tn in FY20) and financing of its required expenditure. In H1FY19, gross borrowing was far lower at 48%. Government is also likely to conduct more switches of around Rs 700bn to manage the rising redemption pressure.
- China's PPI rose by 0.1% in Feb'19, flat compared to Jan'19 (0.1%) and lower than estimated 0.2%. Its CPI too came lower (1.5% in Feb'19) than previous month (1.7%) and is at its lowest since Jan'18. Weak global and domestic demand continue to put downward pressure on prices, reaffirming the case for government support to stimulate the economy. In support, government last week announced reduced VAT & company charges.
- US unemployment rate declined to 3.8% in Feb'19 from 4% in Jan'19. However, total nonfarm payroll employment remained broadly unchanged at 20,000 in Feb'19 (est.185,000), the weakest since Sep'17, signalling that the economy is losing steam. Average hourly earnings rose by 3.4% in Feb'19 from 3.1% in Jan'19, on a YoY basis.

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Markets

- **Bonds:** Global yields closed mixed led by weaker than expected jobs reports from US and slashing of global growth forecast by ECB. As a result, US 10Y yield fell by 1bps (2.63%). 7.26GS2029 fell by 2bps to 7.37% led by drop in crude prices (0.8% decline to close at US\$ 65.7/bbl) It was trading at 7.35% today.
- **Currency:** Global currencies closed mixed. DXY ended lower by (-) 0.4% snapping its 8-day gaining streak, as weak US jobs report exacerbated growth concerns. EUR, JPY and AUD gained 0.4%. INR depreciated by (-) 0.2% after posting gains for three straight sessions. It was however trading higher today, in line with other Asian currencies.
- **Equity:** Escalated fears of slowdown in global economy pushed global indices lower. Shanghai Comp tumbled by (-) 4.4% followed by Nikkei (-2%) and FTSE (-0.7%) over a range of disappointing data print (US jobs report, China's custom data). While Asian markets were trading mixed; Sensex opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.63	(1)	(12)	(7)	(22)	(27)
UK	1.19	2	(11)	(3)	(8)	(30)
Japan	(0.03)	(3)	(3)	(2)	(9)	(9)
Germany	0.07	0	(11)	(9)	(18)	(58)
India#	7.53	(5)	(3)	(4)	7	(14)
China	3.15	(3)	(6)	4	(16)	(70)
2Y yields (Δ bps)						
US	2.46	(1)	(9)	(6)	(25)	20
UK	0.75	2	(5)	1	1	(8)
Japan	(0.15)	0	0	1	(1)	1
Germany	(0.53)	1	(3)	2	7	2
India	6.66	(3)	(4)	(27)	(46)	(32)
China	2.41	0	(3)	2	(9)	(85)
Currencies (Δ %)						
EUR	1.1235	0.4	(1.1)	(1.1)	(1.3)	(8.7)
GBP	1.3015	(0.5)	(1.4)	0.6	2.3	(6.0)
JPY	111.17	0.4	0.6	(1.1)	1.3	(4.1)
AUD	0.7045	0.4	(0.5)	(0.8)	(2.3)	(10.2)
INR	70.15	(0.2)	1.1	2.0	0.9	(7.6)
CNY	6.7214	(0.1)	(0.2)	0.4	2.2	(6.1)
Equity & Other indices (Δ %)						
DOW	25,450	(0.1)	(2.2)	0.2	4.4	0.5
FTSE	7,104	(0.7)	0	(1.0)	4.8	(1.7)
DAX	11,458	(0.5)	(1.2)	1.2	6.2	(7.2)
NIKKEI	21,026	(2.0)	(2.7)	0.7	(3.0)	(2.1)
Shanghai Comp	2,970	(4.4)	(0.8)	13.4	14.0	(10.2)
SENSEX	36,671	(0.1)	1.7	(0.8)	2.8	10.1
Brent (USD/bbl)	65.74	(0.8)	1.0	4.9	6.6	0.4
Gold (USD/oz)	1,298	1.0	0.4	(0.6)	3.9	(1.9)
CRB Index	413.6	0.1	0	0	(1.0)	(7.1)
Rogers Agri Index	741.5	0.3	(1.2)	(5.0)	(5.4)	(12.6)
LIBOR (3M)*	2.60	0	0	(14)	(17)	51
INR 5Yr Swap*	6.97	(4)	(4)	(24)	(36)	5
India FII data (US\$ mn)						
	7 Mar	6 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(101.3)	154.8	3.6	65.5	(1,587.1)	(8,577.7)
FII-Equity	153.4	196.5	85.7	672.6	2,968.0	(3,714.9)

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

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