


MACRO DAILY

12 February 2019

Macro developments

- Central government is scheduled sell 3% of its 9.56% stake in Axis Bank on 13 Feb 2019. This sale is expected to raise Rs 53.2bn towards the disinvestment target of Rs 800bn. As per data from DIPAM, government has raised Rs 355bn till date through disinvestment/buybacks/IPO/ETFs.
- Even as France's industrial production index fell (99 from 102 in Dec'18) and services activity index slowed down in Jan'19 (100 vs 101 in Dec'18), it is expected to pick up in Feb'19 as per the latest survey by the Bank of France. Construction activity index which has been growing steadily (105 in Jan'19) is expected to continue to grow further. As a result, the Bank expects GDP to grow by 0.4% in Q1CY19, vs 0.3% growth in Q4CY18.
- UK's GDP rose at the slowest pace since CY12, at 1.4% in CY18 vs 1.8% growth seen in the past two years. In Q4CY18, GDP grew by 0.2% vs 0.6% in Q3, on a sequential basis. The lower growth was due to a drag in construction, gross capital formation and trade related activities. Industrial production also remained muted, declining by (-) 0.5% in Dec'18 vs anticipated growth of 0.1%, reflecting a slowdown in manufacturing sector.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except Japan and China, global yields closed higher as uncertainty reigned over US-China trade deal. Elsewhere, US congressional negotiators are on the path of an agreement to avoid another possible shutdown over the border issue. Crude was down by 1% (US\$ 62/bbl). 7.17GS2028 inched up 1bps (7.53%) on expectation of slightly higher inflation in Jan'19. 7.26%GS2029 rose by 3bps (7.36%).
- **Currency:** Barring INR, other global currencies closed lower. DXY rose for the 8th straight session (up 0.4%) amidst global growth concerns and uncertainty over US-China trade deal. INR appreciated by 0.2% on the back of easing oil prices and FII inflows. It was trading even higher today, while Asian currencies were trading mixed.
- **Equity:** Global indices closed mixed as persisting worries of US-China trade relations continued to weigh on investors' sentiments. As a result, Dow and Sensex slipped by (-) 0.2% and (-) 0.4% respectively. However, European indices closed higher despite subdued GDP print from the UK. While Asian markets were trading higher, Sensex was trading lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.65	2	(7)	(5)	(53)	(20)
UK	1.18	3	(10)	(12)	(27)	(42)
Japan	(0.03)	0	(2)	(5)	(15)	(10)
Germany	0.12	3	(6)	(11)	(28)	(64)
India#	7.53	1	(14)	10	(27)	3
China	3.11	0	(3)	(7)	(38)	(78)
2Y yields (Δ bps)						
US	2.49	2	(5)	(5)	(44)	41
UK	0.73	2	(5)	(9)	(2)	5
Japan	(0.16)	0	1	(2)	(3)	(2)
Germany	(0.57)	1	0	2	4	0
India	6.73	(8)	(30)	(23)	(70)	(16)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1276	(0.4)	(1.4)	(1.7)	0.5	(8.3)
GBP	1.2855	(0.7)	(1.4)	(0.1)	0	(7.1)
JPY	110.38	(0.6)	(0.4)	(2.1)	3.0	(1.6)
AUD	0.7062	(0.4)	(2.3)	(1.9)	(1.5)	(10.2)
INR	71.18	0.2	0.9	(0.3)	2.3	(10.7)
CNY	6.7923	(0.7)	(0.7)	(0.4)	2.5	(7.3)
Equity & Other indices (Δ %)						
DOW	25,053	(0.2)	(0.7)	4.8	(1.3)	1.8
FTSE	7,129	0.8	1.4	4.0	1.1	(0.7)
DAX	11,015	1.0	(1.4)	1.5	(2.7)	(10.3)
NIKKEI**	20,333	(2.0)	(2.6)	(1.1)	(8.7)	(4.3)
Shanghai Comp	2,654	1.4	2.0	4.7	0.9	(15.9)
SENSEX	36,395	(0.4)	(0.5)	1.5	4.5	6.1
Brent (USD/bbl)	61.51	(1.0)	(1.6)	4.3	(12.3)	(1.7)
Gold (USD/oz)	1,308	(0.5)	(0.3)	1.3	9.0	(1.1)
CRB Index	411.6	(0.3)	(0.5)	(0.2)	(0.9)	(6.3)
Rogers Agri Index	764.0	(0.9)	(1.9)	(0.7)	(1)	(7.7)
LIBOR (3M)*	2.70	0	(4)	(8)	8	86
INR 5Yr Swap*	7.06	0	(18)	(10)	(63)	0
India FII data (US\$ mn)						
	8 Feb	7 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	301.2	(71.6)	(142.8)	(75.1)	(442.3)	(7,432.9)
FII-Equity	113.9	55.8	297.1	466.8	391.4	(6,291.5)

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com