

MACRO DAILY

12 March 2019

Macro developments

- As per news reports, government has recently sold its entire stake (73%) in Dredging Corporation to 4 state-owned ports (Visakhapatnam, Paradeep, Jawaharlal Nehru & Deendayal port trusts) for Rs 11bn. DIPAM data suggests this sale takes central government's disinvestment receipts to Rs 575bn vs FY19RE of Rs 800bn. Till now, largest receipts have come from CPSE-exchange traded fund (Rs 170bn) & Bharat 22 ETF (Rs 104bn).
- US retail sales edged up by 0.2% on MoM basis, in Jan'18 (est.: 0%) vs (-) 1.6% in Dec'18. The higher than expected print has been on the back of buoyant labour market conditions and waning impact of government shutdown which dragged Dec'18 growth rate to its near 9-year low.
- Industrial production in Germany fell by (-) 0.8% in Jan'19 (est.: +0.5%) from an upwardly revised 0.8% in Dec'18. Separate data showed that while exports growth was flat in Dec'18 on a MoM basis, imports grew by 1.5%. The data comes after ECB sharply cut its growth forecast for the Euro Area and suggests further weakening in the region's largest economy.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps driven by better than expected retail sales data. UK 10Y yield closed lower by 1bps as EC agreed to changes in the Brexit deal. Crude prices rose by 1.3% (US\$ 67/bbl) supported by comments from Saudi minister over supply cut. India's 7.26GS2029 yield declined by 2bps (7.35%) supported by buying from PSBs. It was however trading higher at 7.37% today ahead of CPI data.
- Currency:** Barring JPY (flat) and CNY (-0.1%), other global currencies closed higher as dollar weakened (DXY: -0.1%). GBP gained the most (+1%) on hopes that British PM May will be able to secure parliamentary approval for a Brexit deal before the 29 Mar deadline. INR appreciated by 0.4% on the back of FII inflows. It was trading even higher today, in line with other Asian currencies.
- Equity:** Global indices ended higher led by positive cues, with Shanghai Comp (1.9%) and Sensex (1%) gaining the most. Dow was up by 0.8% supported by surge in tech stocks. Sensex soared by 1% to its six month high with strong gains seen in both midcap and small cap indices. Both Asian markets and Sensex opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.64	1	(8)	1	(22)	(23)
UK	1.18	(1)	(9)	3	(2)	(32)
Japan	(0.03)	0	(4)	0	(8)	(9)
Germany	0.07	0	(9)	(2)	(18)	(56)
India#	7.51	(2)	(5)	(1)	(8)	(12)
China	3.15	0	(6)	7	(13)	(70)
2Y yields (Δ bps)						
US	2.48	1	(7)	1	(25)	21
UK	0.74	(1)	(4)	3	4	(9)
Japan	(0.15)	0	(1)	2	0	0
Germany	(0.54)	(1)	(3)	4	4	3
India	6.66	0	1	(15)	(54)	(31)
China**	2.40	(1)	3	(1)	(10)	(87)
Currencies (Δ %)						
EUR	1.1245	0.1	(0.8)	(0.7)	(1.0)	(8.8)
GBP	1.3150	1.0	(0.2)	1.6	4.7	(5.4)
JPY	111.21	0	0.5	(1.3)	1.9	(4.5)
AUD	0.7070	0.4	(0.3)	(0.3)	(1.7)	(10.2)
INR	69.89	0.4	0.9	2.0	2.0	(7.4)
CNY	6.7265	(0.1)	(0.3)	1.0	2.7	(6.3)
Equity & Other indices (Δ %)						
DOW	25,651	0.8	(0.7)	2.2	5.0	1.9
FTSE	7,131	0.4	(0.1)	0.8	6.1	(1.2)
DAX	11,543	0.7	(0.4)	5.8	8.7	(7.0)
NIKKEI	21,125	0.5	(3.2)	3.9	(0.4)	(3.2)
Shanghai Comp	3,027	1.9	0	13.3	17.1	(9.0)
SENSEX	37,054	1.0	1.7	1.4	6.0	9.2
Brent (USD/bbl)	66.58	1.3	1.4	7.2	11.0	2.5
Gold (USD/oz)	1,293	(0.4)	0.5	(1.6)	3.9	(2.2)
CRB Index	413.9	(0.1)	0.2	0.2	(0.7)	(7.1)
Rogers Agri Index	739.3	(0.3)	(1.2)	(4.1)	(5.0)	(12.9)
LIBOR (3M)*	2.60	0	(1)	(10)	(18)	49
INR 5Yr Swap*	6.96	(1)	(5)	(11)	(40)	4
India FII data (US\$ mn)						
	8 Mar	7 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	582.5	(101.3)	586.1	648.0	(1,020.2)	(8,010.8)
FII-Equity	160.7	153.4	246.4	833.3	2,910.6	(3,772.3)

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

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