


MACRO DAILY

14 May 2019

Macro developments

- CPI inflation in India rose to a 6-month high of 2.9% in Apr'19 led by higher food inflation at 1.1% (0.3% in Mar'19). Within food, vegetable and meat prices rose the most. However, core inflation moderated to 4.5%, an 18-month low, and the decline was quite broad-based. While worsening global growth favours a rate cut, sticky oil prices, a depreciating currency and uncertainty over monsoon imply RBI is likely to remain on hold in Jun'19.
- SIAM's data shows that domestic auto sales declined by (-) 15.9% in Apr'19 vs (-) 14.2% in Mar'19. This is sharpest decline since Dec'16. Both passenger vehicle and two wheeler sales fell the most by (-) 17.1% and (-) 16.4% respectively, in a sign of slowing domestic consumption. Indicating that services growth is also down, commercial vehicle sales fell by (-) 6% vs 0.3% in Mar'19.
- Following US tariffs on US\$ 200bn of Chinese imports, China has retaliated by imposing tariffs on US\$ 60bn worth of imports from the US from 1 Jun 2019. This will take effect by imposing duties in the range of 5-25% and also increasing the previously imposed duty of 10% to 20-25%. Goods affected will include batteries, household appliances, coffee, rubber, spinach and construction material.

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Markets

- **Bonds:** Barring Japan, global yields closed lower. This has been on the back of intensifying trade war. Crude prices also fell by (-) 0.6% (US\$ 70/bbl). US 10Y yield tanked down by 7bps (2.4%). India's 7.26GS2029 declined by 2bps (7.39%) ahead of Rs 50bn auction of new security. It was trading lower at 7.37% supported by moderation in core CPI data print.
- **Currency:** Except JPY, other global currencies closed lower as US-China trade war heated up further. CNY and AUD depreciated by (-) 0.8%. INR fell to a 2-month low on the back of FII outflows. It however opened slightly higher while Asian currencies were trading lower.
- **Equity:** Global equity indices closed lower on the back of escalated trade war tensions with China's retaliation. Dow declined the most by (-) 2.4% followed by Dax (-) 1.5% and Shanghai Comp (-) 1.2%. Sensex also fell by (-) 1% taking global cues. Both Sensex and Asian markets were trading lower in today's session.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.40	(7)	(7)	(16)	(25)	(60)
UK	1.10	(3)	(12)	(11)	(8)	(37)
Japan	(0.05)	0	(1)	1	(2)	(10)
Germany	(0.07)	(3)	(8)	(13)	(19)	(68)
India#	7.48	(3)	(2)	(9)	(5)	(35)
China	3.28	(4)	(9)	(8)	20	(43)
2Y yields (Δ bps)						
US	2.19	(8)	(10)	(20)	(30)	(36)
UK	0.71	(3)	(8)	(7)	(2)	(9)
Japan	(0.16)	0	(1)	1	1	(2)
Germany	(0.63)	(1)	(3)	(7)	(5)	(7)
India	6.71	(7)	(6)	2	(3)	(88)
China**	2.60	(1)	(2)	15	18	(34)
Currencies (Δ %)						
EUR	1.1222	(0.1)	0.2	(0.7)	(0.5)	(5.9)
GBP	1.2958	(0.3)	(1.1)	(0.9)	0.8	(4.4)
JPY	109.30	0.6	1.3	2.4	1	0.3
AUD	0.6944	(0.8)	(0.7)	(3.2)	(1.7)	(7.7)
INR	70.54	(0.9)	(1.6)	(2)	0.9	(4.5)
CNY	6.8784	(0.8)	(1.7)	(2.6)	(1.3)	(8.5)
Equity & Other indices (Δ %)						
DOW	25,325	(2.4)	(4.2)	(4.1)	1.1	1.7
FTSE	7,164	(0.5)	(2.9)	(3.7)	0.5	(7.1)
DAX	11,877	(1.5)	(3.3)	(1)	7.8	(8.5)
NIKKEI	21,191	(0.7)	(4.8)	(3.1)	1.6	(7.3)
Shanghai Comp	2,904	(1.2)	(0.1)	(8.9)	9.4	(8.5)
SENSEX	37,091	(1)	(3.9)	(4.3)	1.9	4.3
Brent (USD/bbl)	70.23	(0.6)	(1.4)	(1.8)	14.2	(10.2)
Gold (USD/oz)	1,300	1.1	1.5	0.7	(0.6)	(1)
CRB Index	408.4	(0.4)	(2.2)	(4.2)	(0.8)	(7.9)
Rogers Agri Index	695.7	(0.5)	(2.4)	(7.3)	(8.9)	(17)
LIBOR (3M)*	2.53	(1)	(3)	(7)	(16)	20
INR 5Yr Swap*	7.09	0	(16)	36	3	(12)
India FII data (US\$ mn)						
	10 May	9 May	WTD	MTD	CYTD	FYTD
FII-Debt	(39.8)	(16.4)	59.3	(588.1)	(889.4)	(1,905.8)
FII-Equity	(178.6)	(78.6)	82.5	147.9	9,915.2	1,620.5

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

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