

MACRO DAILY

16 May 2019

Macro developments

- India's trade deficit widened to US\$ 15.3bn in Apr'19 from US\$ 10.9bn in Mar'19 as gold (54% YoY) and oil (9%) imports increased. Exports were relatively muted at 0.6%. Non-oil-non-gold imports continued to moderate as domestic demand remains weak. We expect trade deficit to rise to US\$ 196bn in FY20 from US\$ 183bn in FY19.
- In China while industrial production declined from 4.5-year high of 8.5% in Mar'19 to 5.4% in Apr'19 (est.: 6.5%), retail sales dropped to 16-year low of 7.2% vs 8.7% in Mar'19 and est.: 8.6%. This suggests that the rise in Mar'19 was due to seasonality and base effect than fiscal stimulus. FAI too eased to 6.1% in Apr'19 vs est.: 6.4%. While growth in infra spending held steady at 4.4%, private FAI growth slipped to 5.5% vs 6.4% in Mar'19, suggesting that difficulties remain.
- US macro prints again pointed to grimmer growth outlook. Retail sales declined for the 2nd month by (-) 0.2% in Apr'19, (est: 0.2% increase) vs 1.7% growth in Mar'19. This was led by muted auto sales. Industrial production also fell by (-) 0.5% in Apr'19 vs 0.2% increase in Mar'19 led by broad based decline in all categories, especially business equipment and consumer goods.

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Markets

- Bonds:** Barring India, global yields closed lower. This was driven by softer economic data in US and China which drove their 10Y yields lower by 4bps and 1bps respectively. Crude prices continued to edge up by 0.7% (US\$ 72/bbl) amid mounting tensions in Middle East. India's 7.26GS2029 yield closed flat at 7.38%. It was trading marginally higher at 7.39% today.
- Currency:** Global currencies closed mixed as macro data in both US and China remained weak. EUR closed unchanged after reports that US may delay levying tariffs on imported auto and auto components. INR gained 0.2%. It opened higher today, while Asian currencies were trading mixed.
- Equity:** Except Sensex, other major global indices closed higher, uplifted by news of US delaying tariffs on European car imports by another 6 months. Developments in US-China trade talks also helped. Sensex fell as investors remain cautious ahead of election results due next week. However it opened higher today, while other Asian markets were trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.37	(4)	(11)	(18)	(33)	(72)
UK	1.07	(4)	(7)	(15)	(11)	(44)
Japan	(0.05)	0	(0)	(3)	(5)	(11)
Germany	(0.10)	(3)	(5)	(15)	(22)	(70)
India#	7.48	2	1	(6)	1	(42)
China	3.28	(1)	(6)	(9)	20	(44)
2Y yields (Δ bps)						
US	2.16	(4)	(14)	(23)	(37)	(43)
UK	0.71	(1)	(4)	(8)	(3)	(11)
Japan	(0.16)	0	0	0	1	(2)
Germany	(0.65)	(2)	(4)	(9)	(9)	(8)
India	6.68	(1)	(10)	(0)	(7)	(90)
China**	2.60	1	0	12	24	(42)
Currencies (Δ %)						
EUR	1.1201	0	0.1	(0.9)	(0.5)	(5.1)
GBP	1.2845	(0.5)	(1.2)	(1.9)	0	(4.8)
JPY	109.60	0	0.5	2.2	1.3	0.7
AUD	0.6928	(0.2)	(0.9)	(3.4)	(2.3)	(7.8)
INR	70.34	0.2	(0.9)	(1.3)	0.7	(3.8)
CNY	6.8762	0	(1.4)	(2.5)	(1.7)	(7.9)
Equity & Other indices (Δ %)						
DOW	25,648	0.5	(1.2)	(2.8)	0.4	3.5
FTSE	7,297	0.8	0.4	(1.9)	1.5	(5.7)
DAX	12,100	0.9	(0.7)	0.7	8.3	(6.9)
NIKKEI	21,189	0.6	(1.9)	(4.4)	0.2	(6.7)
Shanghai Comp	2,939	1.9	1.6	(7.5)	8	(7.3)
SENSEX	37,115	(0.5)	(1.8)	(4.6)	3	4.9
Brent (USD/bbl)	71.77	0.7	2	0.8	12.8	(9.5)
Gold (USD/oz)	1,296	0	1.2	0.7	(0.7)	0.4
CRB Index	412.0	0.4	(0.5)	(3.2)	0.1	(7.1)
Rogers Agri Index	708.9	0	0	(5.3)	(7.8)	(15.2)
LIBOR (3M)*	2.52	1	(2)	(6)	(16)	20
INR 5Yr Swap*	7.01	2	(12)	32	4	(19)
India FII data (US\$ mn)						
	14 May	13 May	WTD	MTD	CYTD	FYTD
FII-Debt	156.3	(27.6)	128.7	(459.4)	(760.7)	(1,777.1)
FII-Equity	(278.0)	(135.6)	(413.7)	(265.8)	9,501.5	1,206.9

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

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