


MACRO DAILY

17 May 2019

Macro developments

- Centre has already procured 29mn tn of wheat in the marketing year 2019-20 against the target of 35mn tn. Last year it had procured 35.8mn tn of wheat vs an initial target of 32mn tn. Within the 29mn tn procured, Punjab and Haryana have purchased over 12.1 and 9 mn tn respectively. FCI is likely to offload over 10 mn tn of wheat in FY20 in order to manage the space crunch issue due to overstocking of its godown.
- New home prices in China rose by 10.7% in Apr'19 vs 10.6% in Mar'19. Out of the 70 cities, 67 reported an increase in prices. Loosened credit conditions, lower mortgage rates and easing restrictions by local government on home purchases have boosted the real estate market. This trend is also visible in steady sales volume (1.3% in Apr'19 vs 1.8% in Mar'19) and sales by value (13.9% in Mar'19 vs 2.8% in Jan-Feb'19).
- US initial jobless claims fell by 16,000 in the week ended 11 May to 212,000 (est., 220,000) after increasing for 3 straight weeks due to seasonal factors such as Easter holidays and spring breaks. The more than expected decline points towards strong labour market conditions. The 4-week moving average of claims however rose by 4,750 to 225,000.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed with yields inching up in US & UK and inching down in India & China. Better than estimated US macro data and easing trade tensions between US-EU & Japan, helped boost investor sentiments. Crude prices edged up 1.2% (US\$ 73/bbl) amid continued tensions in Middle East. India's 7.26GS2029 yield closed at 7.38% and was trading flat today.
- **Currency:** Except INR, other global currencies closed lower as dollar strengthened. DXY rose by 0.3% driven by positive jobs and new home starts data. AUD depreciated by (-) 0.5% after Australia's unemployment rate rose to an 8-month high. INR opened lower today on the back of rising crude prices. Asian currencies were also trading lower.
- **Equity:** Barring Nikkei, global equity indices closed higher led by better than expected economic data from US. Strong corporate earnings reports also helped. Dax was up by 1.7% followed by Dow, FTSE and Sensex each gaining by 0.8%. Both Asian markets and Sensex was trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.39	2	(5)	(16)	(26)	(72)
UK	1.07	1	(5)	(15)	(8)	(49)
Japan	(0.06)	(1)	(1)	(4)	(5)	(12)
Germany	(0.10)	0	(5)	(15)	(20)	(74)
India#	7.47	(1)	(2)	(7)	(5)	(41)
China	3.27	(1)	(4)	(10)	18	(45)
2Y yields (Δ bps)						
US	2.19	3	(7)	(20)	(30)	(37)
UK	0.72	1	(2)	(7)	(2)	(14)
Japan	(0.16)	0	0	0	1	(3)
Germany	(0.65)	1	(2)	(9)	(9)	(8)
India	6.68	(1)	(6)	(0)	(7)	(93)
China**	2.60	(1)	0	11	29	(44)
Currencies (Δ %)						
EUR	1.1174	(0.2)	(0.4)	(1.2)	(1.1)	(5.3)
GBP	1.2798	(0.4)	(1.7)	(2.3)	0	(5.3)
JPY	109.85	(0.2)	(0.1)	2	0.6	0.8
AUD	0.6892	(0.5)	(1.4)	(3.9)	(3)	(8.2)
INR	70.03	0.4	(0.1)	(0.9)	1.6	(3.4)
CNY	6.8837	(0.1)	(0.8)	(2.6)	(1.6)	(8.1)
Equity & Other indices (Δ %)						
DOW	25,863	0.8	0.1	(2)	1.7	4.6
FTSE	7,354	0.8	2	(1.1)	2.2	(5.6)
DAX	12,310	1.7	2.8	2.4	11	(6.1)
NIKKEI	21,063	(0.6)	(1.6)	(5)	(0.4)	(7.8)
Shanghai Comp	2,956	0.6	3.7	(7)	8.7	(6.3)
SENSEX	37,393	0.8	(0.4)	(3.9)	4.2	6.4
Brent (USD/bbl)	72.62	1.2	3.2	2	12.5	(8.4)
Gold (USD/oz)	1,287	(0.8)	0.2	(0.1)	(2)	(0.3)
CRB Index	414.0	0.5	0.3	(2.7)	0.6	(6.6)
Rogers Agri Index	717.3	1.2	2.2	(4.2)	(6)	(14.4)
LIBOR (3M)*	2.53	0	(1)	(6)	(17)	19
INR 5Yr Swap*	7.03	2	(7)	34	6	(17)
India FII data (US\$ mn)						
	15 May	14 May	WTD	MTD	CYTD	FYTD
FII-Debt	364.4	156.3	493.1	(95.0)	(396.4)	(1,412.7)
FII-Equity	(149.2)	(278.0)	(562.9)	(415.0)	9,352.3	1,057.7

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

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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