


MACRO DAILY

18 March 2019

Macro developments

- India's trade deficit narrowed sharply to US\$ 9.6bn in Feb'19 from US\$ 14.7bn in Jan'19 led by decline in imports (-5.4% vs 0.9% in Jan'19). Both oil and non-oil-non-gold imports decelerated. The dip in non-oil-non-gold imports is symptomatic of a slowing domestic economy. Exports have also seen a moderation (2.4% vs 3.7% in Jan'19). With CAD at US\$ 64.5bn and rising FII inflows, we believe INR is likely to benefit from the above scenario.
- US industrial production edged up marginally by 0.1% in Feb'19 on MoM basis (est: 0.6%) vs a decline of (-) 0.4% in Jan'19. This was driven by increase in utilities and mining which has offset the second straight monthly drop in manufacturing sector. Capacity utilisation was slightly lower at 78.2 in Feb'19 vs 78.3 in Jan'19.
- New home prices in China rose by 0.5% in Feb'19 on a MoM basis vs 0.6% in Jan'19. The slowdown was driven by lower prices of houses in Tier-1 (0.3% vs 0.4% in Jan'19) and Tier-3 cities (0.4% vs 0.6% in Jan'19). In tier 2 cities, prices rose by 0.7%, same as last month. While softening prices may be indicative of price cutting by developers to revive demand, improving credit conditions may further boost prices in the coming months.

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Markets

- **Bonds:** Global yields closed mixed. Concerns of slowdown in global growth and delay in Brexit impacted investor sentiments. Crude prices declined marginally by (-) 0.1% (US\$ 67/bbl). India's 7.26GS2029 declined by 2bps supported by buying from foreign & private banks and MFs. It was trading at 7.31% today.
- **Currency:** Global currencies closed higher as dollar weakened. DXY fell by (-) 0.2% after US industrial production rose less than expected in Feb'19. GBP rose by 0.4% on receding possibility of a no-deal Brexit. INR also appreciated by 0.4% on the back of FII inflows even as oil prices rose. It was trading even higher today at 68.9/\$, highest since Aug'18.
- **Equity:** Global indices ended in green led by renewed optimism over a possible US-China trade deal. Dow rose by 0.5% on the back of gains in tech stocks. Shanghai Comp surged by 1% followed by both Nikkei and Dax gaining by 0.8%. In the morning session while Asian markets were trading mixed, Sensex opened higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.59	(4)	(4)	(10)	(30)	(26)
UK	1.21	(1)	2	3	(3)	(22)
Japan	(0.03)	1	0	(2)	(7)	(7)
Germany	0.08	0	2	(5)	(17)	(49)
India#	7.50	(5)	(3)	(3)	6	(6)
China	3.15	0	0	7	(23)	(70)
2Y yields (Δ bps)						
US	2.44	(2)	(2)	(7)	(30)	15
UK	0.76	(1)	1	3	4	(4)
Japan	(0.15)	1	(1)	1	0	(1)
Germany	(0.54)	0	(1)	2	7	5
India	6.59	(3)	(8)	(13)	(40)	(30)
China**	2.40	(2)	(1)	5	(27)	(91)
Currencies (Δ %)						
EUR	1.1326	0.2	0.8	0.0	0.2	(7.8)
GBP	1.3290	0.4	2.1	3.1	5.6	(4.7)
JPY	111.48	0.2	(0.3)	(0.9)	1.7	(5.2)
AUD	0.7085	0.3	0.6	(0.1)	(1.2)	(8.1)
INR	69.10	0.4	1.5	2.2	3.9	(6.4)
CNY	6.7137	0.1	0.1	0.9	2.8	(6.0)
Equity & Other indices (Δ %)						
DOW	25,849	0.5	1.6	1.7	7.3	3.6
FTSE	7,228	0.6	1.7	1.3	5.6	0.9
DAX	11,686	0.8	2.0	5.0	7.5	(5.7)
NIKKEI	21,451	0.8	2.0	2.8	0.4	(1.0)
Shanghai Comp	3,022	1.0	1.7	13.1	16.5	(7.6)
SENSEX	38,024	0.7	3.7	5.2	5.7	14.6
Brent (USD/bbl)	67.16	(0.1)	2.2	7.6	11.4	1.4
Gold (USD/oz)	1,302	0.5	0.3	(0.6)	5.1	(0.9)
CRB Index	419.6	0.3	1.3	1.9	1.1	(5.4)
Rogers Agri Index	756.5	0.9	2.0	(1.5)	(2.7)	(10.0)
LIBOR (3M)*	2.61	0	2	(8)	(19)	41
INR 5Yr Swap*	6.66	4	(31)	(39)	(54)	(27)
India FII data (US\$ mn)						
	14 Mar	13 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	227.9	(243.1)	185.4	833.4	(819.2)	(7,809.8)
FII-Equity	279.8	317.9	1,602.4	2,435.7	4,731.2	(1,951.7)

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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