

## MACRO DAILY

02 April 2019

### Macro developments

- India's core sector growth improved marginally to 2.1% in Feb'19 from 1.5% in Jan'19. The improvement was largely led by coal sector output which rose by 7.3% in Feb'19 (1.7% in Jan'19) attributable to base effect. However, slowdown in electricity, fertilizers and crude oil continued to dampen any hopes of revival. Going forward, we expect a weaker growth in IIP.
- GST collection for Feb'19 rose to Rs 1.1tn vs Rs 972bn in Jan'19. This was driven by Rs 204bn collected as CGST, Rs 275bn as SGST and Rs 504 as IGST. On an average, total collections have recorded a run-rate of Rs 976bn in FYTD19 vs Rs 897bn in FYTD18 (Jul-Feb). Higher collections this year have also helped FYTD CGST collections (Rs 4.1tn) to near FY19RE target of Rs 5tn.
- Manufacturing activity in both China and US improved in Mar'19. While US ISM manufacturing index improved to 55.3 vs 54.2 in Feb'19, China's official manufacturing PMI rebounded from 49.2 in Feb'19 to 50.5 in Mar'19. In both cases, improvement was due to faster expansion in new orders. In China, it was led by hi-tech manufacturing, equipment and consumer goods manufacturing. However, contracting new export orders in China, remains a key cause of concern.

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### Markets

- Bonds:** Global yields closed higher. This was driven by better manufacturing print in US and China. US 10Y yield also inched up by 10bps (2.5%). Crude prices rose by 0.9% (US\$ 69/bbl). India's 7.26GS2029 was trading lower today at 7.32% supported by RBI's announcement to conduct another swap auction amounting to US\$ 5bn on 23 Apr 2019.
- Currency:** DXY edged marginally lower by (-) 0.1%, even as US manufacturing activity rebounded in Mar'19. GBP gained 0.5% as investors awaited parliamentary vote on Brexit proposals. INR opened weaker today on rising oil prices. Other Asian currencies were also trading lower.
- Equity:** Better than expected data from China and US, (manufacturing PMI) eased worries of global economic slowdown and pushed equity indices higher. Shanghai Comp rose by 2.6%, followed by Nikkei (1.4%). Dow surged by 1.3%, led by gains in banking stocks. Both Asian markets and Sensex were trading higher today.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.50	10	10	(25)	(18)	(23)
UK	1.05	5	6	(25)	(23)	(30)
Japan	(0.07)	1	1	(7)	(8)	(12)
Germany	(0.03)	4	0	(21)	(27)	(52)
India#	7.49	2	2	(7)	12	16
China	3.15	8	6	(6)	(16)	(60)
<b>2Y yields (Δ bps)</b>						
US	2.33	7	9	(22)	(16)	9
UK	0.67	3	3	(13)	(9)	(16)
Japan	(0.17)	0	1	(2)	(3)	(4)
Germany	(0.60)	0	(3)	(9)	1	0
India	6.55	(2)	(1)	(15)	(30)	(26)
China**	2.39	2	(1)	(6)	(28)	(92)
<b>Currencies (Δ %)</b>						
EUR	1.1213	0	(0.9)	(1.3)	(2.2)	(8.9)
GBP	1.3103	0.5	(0.7)	(0.7)	2.7	(6.7)
JPY	111.35	(0.4)	(1.3)	0.5	(1.5)	(5.2)
AUD	0.7112	0.2	0	0.5	0.9	(7.2)
INR	69.15	0.3	(0.3)	2.5	0.9	(6.4)
CNY	6.7115	0	0	(0.1)	2.4	(6.9)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	26,258	1.3	2.9	0.9	12.6	11.1
FTSE	7,317	0.5	1.9	3.0	8.8	4.1
DAX	11,682	1.4	3.0	0.7	10.6	(2.7)
NIKKEI	21,509	1.4	2.5	(0.4)	7.5	0.6
Shanghai Comp	3,170	2.6	4.2	5.9	27.1	0.2
SENSEX	38,872	0.5	2.8	7.8	7.8	16.9
Brent (USD/bbl)	69.01	0.9	2.7	6.1	28.3	2.0
Gold (USD/oz)	1,288	(0.4)	(2.6)	(0.4)	0.4	(4.0)
CRB Index	426.5	0	0.2	3.1	4.2	(2.2)
Rogers Agri Index	748.8	0.7	(2.0)	(0.3)	(1.2)	(9.2)
LIBOR (3M)*	2.60	1	(1)	0	(21)	28
INR 5Yr Swap*	6.46	(0)	(16)	(56)	(75)	(42)
<b>India FII data (US\$ mn)</b>						
	<b>28 Mar</b>	<b>27 Mar</b>	<b>WTD</b>	<b>Mar'19</b>	<b>CYTD</b>	<b>FY19</b>
FII-Debt	(144.9)	(138.2)	105.1	2,212.8	544.6	(6,446.0)
FII-Equity	510.3	198.8	742.6	4,767.8	6,845.2	162.3

Source: Bloomberg, Bank of Baroda Research | \*Indicates change in bps, # 7.17 GS 2028 security, \*\* 1Y yield | Indian bond and currency markets were closed on 1 Apr 2019

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