

MACRO DAILY

20 March 2019

Macro developments

- As per US based NOAA, likelihood of El Nino (60% chance) continues to remain prevalent during Jun-Aug period. Even Australian met has upgraded its forecast to 'alert' from 'watch' as El Nino is expected to gain strength in the coming months. However, Indian Met has maintained that formation of El Nino conditions will remain weak during the monsoon period. Notably, Skymet has also recently forecasted a normal monsoon in CY19.
- ZEW index of economic sentiment for Germany improved sharply in Mar'19 to (-) 3.6 vs (-) 13.4 in Feb'19. This 9.8 point jump comes after easing trade war tensions between US & China, and postponement of Brexit date. However, the current situation index fell by 3.9 points to 11.1 in Mar'19, pointing towards relatively weak growth in H1CY19.
- Despite the looming uncertainty over Brexit, labour market in the UK remained resilient as the unemployment rate fell to the lowest since 1975 at 3.9% in the period Nov'18-Jan'19. In the same period, average weekly earnings of workers rose by 3.4% (excluding bonuses) on a YoY basis, compared with a 3.5% increase between Oct-Dec'18.

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Markets

- Bonds:** Global yields closed mixed. This was driven by uncertainty over US-China trade deal and ahead of central bank meetings of major economies (US, UK, Thailand and Philippines). US 10Y yield rose a tad by 1bps (2.61%). Crude prices inched up marginally by 0.1% (US\$ 68/bbl). India's 7.26GS2029 increased by 6bps driven by selling from foreign & private banks. It was trading at 7.37% today.
- Currency:** Barring INR, other global currencies traded in a narrow range ahead of the Fed policy meet. While DXY fell by (-) 0.1%, GBP and EUR gained 0.1% each. JPY and CNY closed broadly unchanged. INR snapped its 6-day gaining streak to end lower by (-) 0.6% on rising oil prices. It was trading even lower today, in line with other Asian currencies.
- Equity:** Global equity indices closed mixed. The apprehensions concerning US-China trade deal dragged down both Dow & Shanghai Comp by (-) 0.1% & (-) 0.2% respectively. European stocks closed higher monitoring Brexit developments. Sensex also rose by 0.7% driven by higher FII inflows. Asian stocks along with Sensex were trading lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.61	1	1	(5)	(21)	(28)
UK	1.19	(1)	2	3	(9)	(30)
Japan	(0.04)	(1)	(1)	(2)	(7)	(8)
Germany	0.10	1	4	0	(15)	(49)
India#	7.54	6	3	(4)	20	(8)
China	3.14	0	(2)	5	(24)	(68)
2Y yields (Δ bps)						
US	2.47	2	2	(5)	(18)	12
UK	0.75	(1)	3	1	0	(13)
Japan	(0.16)	(1)	(1)	1	(1)	(1)
Germany	(0.53)	0	2	3	8	6
India	6.61	3	(5)	(13)	(32)	(30)
China**	2.42	0	0	11	(26)	(89)
Currencies (Δ %)						
EUR	1.1352	0.1	0.6	0.5	(0.1)	(7.3)
GBP	1.3268	0.1	1.5	2.9	5.0	(5.2)
JPY	111.39	0.0	0	(0.8)	1.0	(4.6)
AUD	0.7088	(0.2)	0.1	(0.7)	(1.3)	(7.7)
INR	68.97	(0.6)	1.1	3.2	2.1	(5.8)
CNY	6.7119	0	(0.1)	0.9	2.7	(6.0)
Equity & Other indices (Δ %)						
DOW	25,887	(0.1)	1.3	0.0	9.3	4.7
FTSE	7,324	0.3	2.4	1.2	9.3	3.7
DAX	11,788	1.1	2.3	4.3	9.8	(4.2)
NIKKEI	21,567	(0.1)	0.3	3.2	2.1	0.9
Shanghai Comp	3,091	(0.2)	1.0	15.2	20.0	(6.1)
SENSEX	38,363	0.7	2.2	7.1	5.5	16.3
Brent (USD/bbl)	67.61	0.1	1.4	2.1	20.2	0.3
Gold (USD/oz)	1,307	0.2	0.4	(1.2)	4.6	(0.4)
CRB Index	420.7	0.2	0.8	1.8	1.8	(4.4)
Rogers Agri Index	757.0	0.1	1.0	(0.8)	(2.5)	(8.4)
LIBOR (3M)*	2.63	1	2	(5)	(16)	38
INR 5Yr Swap*	6.55	(8)	(34)	(50)	(65)	(40)
India FII data (US\$ mn)						
	18 Mar	15 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	135.6	422.5	135.6	1,391.5	(276.7)	(7,267.3)
FII-Equity	364.7	500.3	364.7	3,300.7	5,378.0	(1,304.9)

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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