

## MACRO DAILY

24 May 2019

### Macro developments

- The BJP led NDA won a decisive majority (341 seats) and a higher vote share (up 9% versus 2014) in the general elections 2019. The government will continue to focus on agriculture and infrastructure sector as proposed in its election manifesto to increase the size of the economy to US\$ 5tn by 2025. Continuity of economic policies amidst gloomy global outlook will support foreign inflows and thus a stable INR.
- New home sales in the US fell by (-) 6.9% on a MoM basis in Apr'19 from 8.1% in Mar'19 driven by rise in median home prices (+8.8% vs -8.8% in Mar'19). Impact of lower mortgage rates also seems to be fading, suggesting muted contribution of residential investment in GDP growth.
- Flash estimates suggested that manufacturing PMI in Eurozone is expected to remain subdued at 47.7 in May'19 vs 47.9 in Apr'19. This will be on the back of lacklustre demand in the economy. However, services PMI is expected to fare moderately better at 52.5 vs 52.8 in Apr'19. Flash manufacturing PMI in Japan also fell to 49.6 in May'19 vs 50.2 in Apr'19 as new orders is expected to remain sluggish.

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### Markets

- **Bonds:** Global yields closed lower amid weak macro prints globally and lingering concerns over US-China trade deal. US 10Y yield fell by 6bps (2.32%). Crude prices also declined by (-) 4.5% (US\$ 68/bbl) amid worries over subdued demand and supply glut in the market. India's 10Y yield fell by 2bps (7.24%) supported by BJP's sweeping victory. It was also trading lower at 7.22% today.
- **Currency:** Global currencies closed mixed amidst signs of further slowdown in global growth momentum. DXY fell by (-) 0.2% after US new home sales data disappointed. GBP declined for the 3rd straight session (-0.1%) on growing uncertainty over Brexit. INR depreciated by (-) 0.5% tracking losses in domestic equity markets. It opened higher today.
- **Equity:** Led by renewed concerns over US-China trade relations, global indices closed lower. Dax (-1.8%) fell the most followed by FTSE and Shanghai Comp. Sensex touched the record 40,000 mark but ended lower led by profit booking. While Asian markets were trading lower today, Sensex opened higher supported by BJP's remarkable victory.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.32	(6)	(8)	(27)	(37)	(66)
UK	0.95	(6)	(12)	(24)	(25)	(45)
Japan	(0.06)	0	0	(3)	(2)	(11)
Germany	(0.12)	(3)	(3)	(15)	(25)	(59)
India	7.24	(2)	(14)	(24)	(11)	(63)
China	3.31	(1)	4	(10)	18	(36)
<b>2Y yields (Δ bps)</b>						
US	2.15	(8)	(5)	(24)	(38)	(36)
UK	0.65	(5)	(7)	(12)	(11)	(10)
Japan	(0.15)	0	1	0	3	(1)
Germany	(0.64)	(1)	1	(6)	(8)	(4)
India	6.57	(3)	(10)	(14)	(8)	(105)
China**	2.57	(3)	(3)	(11)	24	(56)
<b>Currencies (Δ %)</b>						
EUR	1.1181	0.3	0.1	(0.7)	(1.4)	(4.6)
GBP	1.2657	(0.1)	(1.1)	(2.5)	(3.0)	(5.4)
JPY	109.61	0.7	0.2	2.1	1.0	(0.3)
AUD	0.6901	0.3	0.1	(3.3)	(2.7)	(8.9)
INR	70.02	(0.5)	0	(0.5)	1.7	(2.4)
CNY	6.9105	(0.1)	(0.4)	(3.0)	(2.8)	(8.3)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,490	(1.1)	(1.4)	(3.8)	(1.4)	2.7
FTSE	7,231	(1.4)	(1.7)	(3.9)	0.9	(6.3)
DAX	11,952	(1.8)	(2.9)	(2.3)	4.6	(7.0)
NIKKEI	21,151	(0.6)	0.4	(4.8)	(1.5)	(5.7)
Shanghai Comp	2,853	(1.4)	(3.5)	(11.3)	3.7	(9.6)
SENSEX	38,811	(0.8)	3.8	0.4	8.1	12.0
Brent (USD/bbl)	67.76	(4.5)	(6.7)	(8.5)	1.0	(14.0)
Gold (USD/oz)	1,283	0.8	(0.3)	0.7	(3.0)	(1.6)
CRB Index	413.0	(0.1)	(0.2)	(2.6)	(0.2)	(7.1)
Rogers Agri Index	720.9	(0.2)	0.5	(2.3)	(5.8)	(16.0)
LIBOR (3M)*	2.52	0	0	(6)	(13)	20
INR 5Yr Swap*	6.89	(5)	(14)	19	(16)	(31)
<b>India FII data (US\$ mn)</b>						
	<b>22 May</b>	<b>21 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(80.0)	29.2	(52.6)	(225.4)	(526.7)	(1,543.1)
FII-Equity	(106.3)	223.8	348.6	(358.7)	9,408.6	1,114.0

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, \*\* 1Y yield

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