

MACRO DAILY

27 February 2019

Macro developments

- India's fiscal deficit has reached Rs 7.7tn vs FY19RE of Rs 6.3tn, on a FYTD basis (Apr'18-Jan'19). Overall tax revenue rose by 11.4% vs targeted 19.5%. The miss is largely on account of indirect taxes (6.9% vs 14.3% FY19RE). In order to meet deficit targets, expenditure cuts are being made as its growth has fallen to 8.8% vs FY19RE of 14.7%. Notably, capex growth has declined by (-) 13% vs projected 20.3% rise.
- US housing starts declined to 2-year low of 11.7% in Dec'18, signalling that the market is expected to remain soft despite easing up of mortgage rates. Separately, US consumer confidence rose to 131.4 in Feb'19 from 121.7 in Jan'19. This was the highest reading in 18 years and comes despite the partial government shutdown and increased volatility in financial markets.
- Taiwan's industrial production declined for the 2nd consecutive month in Jan'19 by (-) 1.9% vs (-) 1.1% in Dec'18 and est.: (-) 1.7%. The decline was led by manufacturing (-1.9% vs -1.2% in Dec'18), particularly electronic components (-6.9%), auto parts (-7%), machinery (-3.3%) and base metals (-3.4%).

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** Except US, global yields closed higher. Despite Powell's indication of a cautious approach with regard to course of fed fund rate amidst global crosscurrents, US 10Y yield closed lower by 3bps (2.64%). UK 10Y yield shot up by 3bps over Brexit concerns. Crude prices inched by 0.7% (US\$ 65/bbl). 7.26GS2029 rose by 1bps (7.42%) led by selling from foreign banks and MFs. It was trading flat today.
- Currency:** DXY declined by (-) 0.4% after Fed Chair reiterated that the Fed would follow a more patient approach to further rate hikes. Most global currencies (barring CNY and INR) closed higher. GBP rose to a 5-month high (up 1.2%) on rising expectations of a delay in Brexit deadline. INR was trading higher today, in line with other Asian currencies.
- Equity:** Barring Dax, other global indices ended lower. Dow fell by (-) 0.1% on the back of lower than expected earnings and poor housing starts data. Shanghai Comp was down by (-) 0.7%, followed by FTSE (-0.5%). Sensex too ended in red and dropped by (-) 0.7% with DII outflows of Rs 7.2bn. Both Asian markets and Sensex were trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.64	(3)	0	(12)	(42)	(26)
UK	1.21	3	4	(10)	(19)	(36)
Japan	(0.03)	1	0	(2)	(12)	(7)
Germany	0.12	1	1	(8)	(23)	(56)
India#	7.59	1	1	4	(14)	(8)
China	3.19	2	6	5	(22)	(67)
2Y yields (Δ bps)						
US	2.48	(2)	(1)	(12)	(35)	22
UK	0.79	3	5	(1)	1	(4)
Japan	(0.16)	1	1	1	(2)	0
Germany	(0.54)	2	3	4	4	(1)
India	6.68	0	(7)	(32)	(65)	(26)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1389	0.3	0.4	(0.1)	0.9	(6.9)
GBP	1.3252	1.2	1.5	0.4	4.0	(4.7)
JPY	110.59	0.4	0.0	(0.9)	2.8	(3.0)
AUD	0.7186	0.3	0.3	0.1	(0.5)	(7.7)
INR	71.07	(0.1)	0.4	0.1	(0.4)	(9.5)
CNY	6.7002	(0.2)	0.9	0.7	3.6	(6.1)
Equity & Other indices (Δ %)						
DOW	26,058	(0.1)	0.6	5.3	5.3	2.5
FTSE	7,151	(0.5)	(0.4)	5.0	1.9	(1.8)
DAX	11,541	0.3	2.0	2.3	2.0	(7.6)
NIKKEI	21,449	(0.4)	0.7	3.3	(2.3)	(4.2)
Shanghai Comp	2,942	(0.7)	6.7	13.1	14.2	(10.6)
SENSEX	35,974	(0.7)	1.8	(0.1)	1.3	4.7
Brent (USD/bbl)	65.21	0.7	(1.9)	5.8	8.3	(2.1)
Gold (USD/oz)	1,329	0.1	(0.9)	1.8	9.4	0.8
CRB Index	413.1	(0.3)	(0.1)	0.4	0.3	(6.8)
Rogers Agri Index	754.2	(0.6)	(0.7)	(3.0)	(1.2)	(10.5)
LIBOR (3M)*	2.64	(1)	0	(11)	(7)	63
INR 5Yr Swap*	7.06	0	0	(12)	(43)	(1)
India FII data (US\$ mn)						
	25 Feb	22 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(44.2)	(115.0)	(44.2)	(415.0)	(782.1)	(7,772.8)
FII-Equity	253.6	1,703.5	253.6	1,855.9	1,780.5	(4,902.4)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com