


MACRO DAILY

28 February 2019

Macro developments

- RBI reported that currency in circulation increased by Rs 17bn (on a weekly basis) and stood at Rs 21tn as on 22 Feb 2019. Overall reserve money grew by only 16% on a YoY basis compared to 39% a year ago. On FYTD basis, reserve money is growing at a slower pace of 10% against 21% in the previous year.
- US factory orders rose by 0.1% in Dec'18 on a MoM basis vs (-) 0.5% in Nov'18. The improvement was led by durable goods industries (1.2% vs 0.9% in Nov'18) and transport equipment (3.1% vs -12.4% in Nov'18). However, non-defence capital goods (proxy for business spending) continued to decline, by (-) 1% in Dec'18 vs (-) 1.1% in Nov'18.
- China's official manufacturing PMI declined for the 3rd consecutive month in Feb'19 (to 49.2 vs 49.5 in Jan'19). This was mainly led by new export orders (45.2 vs 46.9 in Jan'19). However, there were some positive signals, with overall new orders index recovering, input prices declining and future sentiment index improving.

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Markets

- **Bonds:** Barring China, global yields closed higher on the back of rising geopolitical tensions and uncertainty over US-China trade deal. US 10Y yield closed higher by 5bps (2.68%) ahead of Powell's second day of testimony before the Congress. Crude prices inched up by 1.8% (US\$ 66/bbl) driven by fall in US crude stockpiles. 7.26GS2029 rose by 5bps (7.47%) amid rising border tensions. It was trading flat today.
- **Currency:** DXY rose by 0.2% amidst growing caution over US-China trade talks. CNY also edged up by 0.2%. Increasing prospects of a delay in Brexit deadline drove GBP higher by 0.4%. Other global currencies closed lower. INR was trading flat today, while Asian currencies were trading lower.
- **Equity:** Barring Nikkei and Shanghai Comp, global indices ended lower on the back of weaker than expected corporate earnings and escalating geopolitical tensions in Asia. Dow was down by (-) 0.3% after less than optimistic comments from US trade representative on a possible trade deal between US and China. While Asian markets were trading mixed, Sensex opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.68	5	4	(6)	(38)	(18)
UK	1.27	7	9	1	(10)	(23)
Japan	(0.03)	0	1	(3)	(13)	(8)
Germany	0.15	3	5	(6)	(20)	(51)
India#	7.67	8	12	13	3	(6)
China	3.18	(1)	6	2	(22)	(67)
2Y yields (Δ bps)						
US	2.50	2	0	(9)	(31)	25
UK	0.83	4	8	6	8	5
Japan	(0.16)	0	2	0	(3)	(1)
Germany	(0.53)	1	4	5	6	1
India	6.76	8	8	(23)	(50)	(20)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1370	(0.2)	0.3	(0.5)	0	(6.8)
GBP	1.3309	0.4	2.0	1.1	3.8	(3.3)
JPY	111.0	(0.4)	(0.1)	(1.5)	2.4	(4.0)
AUD	0.7138	(0.7)	(0.4)	(0.4)	(2.3)	(8.0)
INR	71.25	(0.3)	(0.2)	(0.2)	(0.9)	(9.3)
CNY	6.6872	0.2	0.5	0.9	3.8	(5.6)
Equity & Other indices (Δ %)						
DOW	25,985	(0.3)	0.1	5.9	2.4	3.8
FTSE	7,107	(0.6)	(1.7)	5.3	1.5	(1.7)
DAX	11,487	(0.5)	0.7	2.5	1.7	(7.6)
NIKKEI	21,557	0.5	0.6	4.4	(2.8)	(2.3)
Shanghai Comp	2,954	0.4	7.0	13.7	13.5	(9.4)
SENSEX	35,905	(0.2)	0.4	0.7	0.5	5.0
Brent (USD/bbl)	66.39	1.8	(1.0)	10.8	13.0	0.9
Gold (USD/oz)	1,320	(0.7)	(1.4)	1.3	8.1	0.1
CRB Index	413.4	0.1	(0.1)	0.2	0	(6.9)
Rogers Agri Index	754.4	0	(0.5)	(2.9)	(2.1)	(11.3)
LIBOR (3M)*	2.63	(1)	(3)	(12)	(8)	61
INR 5Yr Swap*	7.13	7	9	(5)	(35)	17
India FII data (US\$ mn)						
	26 Feb	25 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(237.7)	(44.2)	(281.9)	(637.1)	(1,004.3)	(7,994.9)
FII-Equity	233.9	253.6	487.5	2,307.8	2,232.4	(4,450.5)

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

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