बैंक ऑफ़ बड़ौदा
Bank of Baroda
India's International Bank

MACRO DAILY

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Macro developments

- RBI's FSR highlighted capital adequacy of SCBs has improved after PSB recap, and a turnaround in the NPA cycle has also been seen. Provision coverage ratio of SCBs has improved from 48.3% in Mar'18 to 60.6% in Mar'19, signalling banking sector's resilience. Baseline scenario also projects that GNPA ratio would come down from 9.3% in Mar'19 to 9% in Mar'20. Higher surveillance of large HFC/NBFCs has also been highlighted.
- US GDP rose by 3.1% in Q1CY19, unchanged from the last estimate and higher vs 2.2% in Q4CY18. Residential & non-residential fixed investment and government spending were revised upwards, PCE and inventory investment were revised downwards. Core PCE however rose by 1.2% vs 1.0% estimated earlier. Growth momentum is likely to ease in Q2 due to a slowdown in manufacturing and sustained weakness in the housing sector.
- China's industrial profits rose by 1.1% in May'19 vs (-) 3.7% in Apr'19. This uptick was driven by high-tech manufacturing and emerging industries, signalling that impact of cuts in VAT, is taking effect. Government's fiscal stimulus also seems to be a key driver of growth. On CYTD basis profits continue to decline in May'19 by (-) 2.3% vs (-) 3.4% in Jan-Apr'19, led by automobile and computer and telecom equipment producers.

Markets

- **Bonds:** Barring China, global yields ended lower as investors remain optimistic over the outcome of the G-20 meeting between Trump and Xi. US 10Y yield fell by 3bps (2.01%). Crude prices remained broadly stable (US$ 67/bbl). India's 10Y yield fell by 4bps to 6.9%. It is trading further lower at 6.89% today.
- **Currency:** Global currencies traded in a narrow range ahead of the meeting between US and Chinese President at the G-20 summit. DXY, EUR and JPY closed unchanged. INR strengthened by 0.1%. It opened higher at 68.99/$, in line with other Asian currencies.
- **Equity:** Global indices closed mixed as investors awaited developments from the upcoming G-20 summit. Nikkei gained by 1.2% followed by Shanghai Comp (0.7%). However, Sensex ended flat on the last day of F&O series and tracking global cues. It is trading higher lower today in line with other Asian stocks.

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FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.01	(3)	(1)	(31)	(38)	(82)
UK	0.82	(1)	2	(13)	(18)	(44)
Japan	(0.14)	0	2	(7)	(5)	(18)
Germany	(0.32)	(2)	0	(18)	(25)	(64)
India	6.90	(4)	10	(27)	(43)	(104)
China	3.26	1	1	(9)	18	(28)
2Y yields (Δ bps)						
US	1.74	(2)	(3)	(42)	(49)	(77)
UK	0.60	(1)	3	(4)	(5)	(11)
Japan	(0.21)	1	3	(5)	(3)	(8)
Germany	(0.74)	(1)	2	(9)	(15)	(7)
India	6.29	0	10	(26)	(29)	(126)
China	2.63	0	(5)	8	26	(62)
Currencies (Δ %)						
EUR	1.1369	0	0.7	1.6	1.3	(1.7)
GBP	1.2674	(0.1)	(0.2)	0	(2.8)	(3.1)
JPY	107.79	0	(0.5)	1.6	2.6	2.4
AUD	0.7009	0.3	1.2	1.3	(0.9)	(4.7)
INR	69.07	0.1	0.5	0.6	0.4	(0.4)
CNY	6.8771	0	(0.4)	0.3	(2.0)	(3.8)
Equity & Other indices (Δ %)						
DOW	26,527	0	(0.8)	3.7	3.1	9.5
FTSE	7,402	(0.2)	(0.3)	1.7	2.3	(2.8)
DAX	12,271	0.2	(0.7)	1.7	7.4	0.8
NIKKEI	21,338	1.2	(0.6)	0.7	1.4	(4.2)
Shanghai Comp	2,997	0.7	0.3	3.6	0.1	7.5
SENSEX	39,586	0	0	(0.2)	2.7	13.0
Brent (USD/bbl)	66.55	0.1	3.3	(5.1)	(1.9)	(14.5)
Gold (USD/oz)	1,410	0.1	1.5	9.7	9.2	12.9
CRB Index	408.7	(0.3)	(0.8)	(1.5)	(3.9)	(6.5)
Rogers Agri Index	759.2	0	(0.4)	3.7	1.0	(4.1)
LIBOR (3M)*	2.33	2	(1)	(20)	(26)	(1)
INR 5Yr Swap*	6.74	10	15	(10)	26	(84)
India FII data (US$ mn)	**25 Jun**	**24 Jun**	**WTD**	**MTD**	**CYTD**	**FYTD**
FII-Debt	75.8	(174.9)	(128.7)	1,112.3	1,348.0	803.4
FII-Equity	28.9	349.0	386.0	224.8	11,414.8	4,569.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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