

**MACRO DAILY**

28 May 2019

**Macro developments**

- As per news reports, Ministry of Commerce is proposing a 100-day action plan to boost India's exports through a new scheme-Central and State Taxes and Levies Scheme. This would ensure refund of all un-rebated central and state levies and taxes (such as state VAT/central excise duty on fuel used in transportation etc) imposed on intermediate inputs of exports. This in turn would boost shipments.
- India's crude oil production fell by (-) 6.9% in Apr'19 vs (-) 6.2% in Mar'19. The decline was led by private sector/JVCs (-12.4%). This was also visible through their low capacity utilization in Apr'19 (92.7% vs 99.7% for PSUs). Marginal decline in international oil prices (-0.2% in Apr'19) could also be a factor. Natural gas production was also dragged down (-0.3% vs 1.2% in Mar'19) as private activity remained weak (-16.2% vs 2.4% for PSUs).
- China's industrial profits fell by (-) 3.7% in Apr'19 vs 13.9% in Mar'19, in line with deceleration seen in industrial output growth (5.4% in Apr'19 vs 8.5% in Mar'19). Effect of US-China trade war is most visible in high-tech industry like computer, telecom & other electronic equipment (-15.3% in CYTD19 vs -7% in Q1CY19). However, as government's stimulus measures kick in, infra related industries have seen 67.6% rise in profits in CYTD19.

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**Markets**

- Bonds:** Global yields closed mixed amidst concerns over EU parliament elections outcome and US-China trade deal. Crude prices increased by 2% to close at US\$ 70/bbl on OPEC supply cuts. India's 10Y yield closed lower by 6bps to close at 7.17% supported by RBI's OMO purchase announcement. It was trading further lower at 7.15% today.
- Currency:** Global currencies closed lower against USD. GBP fell by (-) 0.3% on Brexit uncertainty and results of the European parliamentary elections. INR closed unchanged as rising crude prices weighed on investor sentiments. It opened lower today in line with other Asian currencies.
- Equity:** Global indices ended higher. Shanghai Comp gained 1.4% on hopes of policy support to offset the impact of higher US tariffs and slowing growth. DAX rose by 0.6% on reports of a merger between Renault and Fiat. Sensex ended higher by 0.6%. It was however trading lower today, while Asian markets were trading higher.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.32	0	(10)	(18)	(34)	(61)
UK	0.96	0	(10)	(19)	(22)	(37)
Japan	(0.07)	0	(3)	(3)	(3)	(11)
Germany	(0.14)	(3)	(6)	(12)	(25)	(49)
India	7.17	(6)	(12)	(24)	(25)	(57)
China	3.35	4	8	(5)	18	(28)
<b>2Y yields (Δ bps)</b>						
US	2.16	0	(6)	(12)	(34)	(31)
UK	0.64	0	(7)	(9)	(12)	(5)
Japan	(0.16)	0	0	(1)	2	(2)
Germany	(0.65)	(2)	0	(5)	(9)	3
India	6.55	(1)	(12)	(25)	(13)	(104)
China**	2.55	(4)	(2)	(12)	18	(59)
<b>Currencies (Δ %)</b>						
EUR	1.1194	(0.1)	0.3	0.4	(1.4)	(3.7)
GBP	1.2679	(0.3)	(0.4)	(1.8)	(3.2)	(4.7)
JPY	109.51	(0.2)	0.5	1.9	1.4	(0.1)
AUD	0.6918	(0.1)	0.1	(1.8)	(3.5)	(8.3)
INR	69.50	0	0.3	0.7	2.1	(3.1)
CNY	6.8980	0	0.2	(2.5)	(3.1)	(7.8)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,586	0.4	(0.7)	(3.6)	(1.9)	5.0
FTSE	7,278	0.6	(1.0)	(2.0)	1.3	(4.6)
DAX	12,071	0.5	0.2	(2.0)	4.9	(6.2)
NIKKEI	21,183	0.3	(0.6)	(4.8)	(1.6)	(5.8)
Shanghai Comp	2,892	1.4	0.8	(6.3)	(2.3)	(7.7)
SENSEX	39,683	0.6	0.8	1.6	9.6	12.8
Brent (USD/bbl)	70.11	2.1	(2.6)	(2.8)	8.3	(6.9)
Gold (USD/oz)	1,285	0	0.6	(0.1)	(3.2)	(1.1)
CRB Index	414.7	0.4	0.5	(1.9)	0.1	(6.9)
Rogers Agri Index	732.2	1.6	2.7	0.5	(3.5)	(15.3)
LIBOR (3M)*	2.52	0	0	(6)	(11)	22
INR 5Yr Swap*	6.84	2	(4)	(28)	(23)	(32)
<b>India FII data (US\$ mn)</b>						
	<b>24 May</b>	<b>23 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	216.3	(4.4)	159.3	(13.6)	(314.9)	(1,331.3)
FII-Equity	56.3	206.7	611.5	(95.7)	9,671.6	1,376.9

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, \*\* 1Y yield | US and UK markets were closed on 27 May 2019

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