

MACRO DAILY

03 April 2019

Macro developments

- Manufacturing activity in India moderated as reflected from the PMI data, which fell to its 6-month low of 52.6 in Mar'19 compared to 54.3 in Feb'19. This was driven by slower pace of expansion in new orders, exports and employment on the back of muted global growth. On price front, both input and output charges softened.
- ADB has cut its growth forecast for developing Asia to 5.7% in 2019 (5.9% earlier forecast and 5.8% in 2018) on the back of dip in global demand and trade war concerns. The region is expected to grow by 5.6% in 2020. While growth in China is expected to slow down to 6.3% in 2019 and 6.1% in 2020 (6.6% in 2018), India's growth is expected to pick up to 7.2% in FY20 and 7.3% in FY21 supported by higher domestic demand.
- US durable goods order declined unexpectedly by (-) 1.6% in Feb'19 on a MoM basis vs 0.1% in Jan'19 & est.: +0.1%. This is the 3rd consecutive month when orders placed with US factories have remain weak. Muted corporate investment has also led to slowdown in core capital goods orders (-0.1% vs 0.9% in Jan'19).

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Markets

- **Bonds:** Except Japan & China, global yields closed lower. This was driven by renewed concerns over global growth as pointed out by IMF chief and evident in major data prints (US durable goods orders). US 10Y yield fell by 3bps (2.47%). Crude prices rose by 0.5% (US\$ 69/bbl) over supply concerns. India's 7.26GS2029 yield declined by 8bps (7.27%) anticipating rate cut from RBI. It was trading lower at 7.26% today.
- **Currency:** Global currencies closed mixed. DXY edged higher by 0.1% on easing global growth concerns. GBP rose by 0.2% after British PM May sought a further delay to Brexit. INR appreciated by 0.6% on the back of strong FII inflows. It opened further higher today, while Asian currencies were trading mixed.
- **Equity:** Barring Dow, global indices closed higher boosted by hopes of a possible trade deal between US and China. Sensex surged by 0.5% closing at an all-time high, bolstered by a likelihood of a rate cut and quashing of RBI's circular on NPA by Supreme Court. 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	2.47	(3)	5	(25)	(21)	(30)
UK	1.00	(4)	0	(27)	(27)	(36)
Japan	(0.06)	1	0	(7)	(7)	(9)
Germany	(0.05)	(2)	(3)	(21)	(29)	(55)
India#	7.42	(7)	(7)	(14)	0	9
China	3.17	3	9	(3)	(0)	(58)
2Y yields (Δ bps)						
US	2.30	(3)	4	(24)	(19)	2
UK	0.63	(3)	(3)	(15)	(12)	(20)
Japan	(0.16)	1	1	(1)	(1)	(2)
Germany	(0.61)	(1)	(5)	(10)	0	(1)
India	6.52	(3)	(5)	(13)	(31)	(29)
China**	2.38	(2)	(4)	1	(4)	(93)
Currencies (Δ %)						
EUR	1.1204	(0.1)	(0.6)	(1.2)	(2.3)	(8.7)
GBP	1.3128	0.2	(0.6)	(0.4)	3.0	(6.6)
JPY	111.32	0	(0.6)	0.4	(1.4)	(4.4)
AUD	0.7071	(0.6)	(0.9)	(0.3)	0.3	(8.0)
INR	68.74	0.6	0.2	2.5	1.0	(5.7)
CNY	6.7232	(0.2)	(0.1)	(0.2)	2.0	(6.9)
Equity & Other indices (Δ %)						
DOW	26,179	(0.3)	2.0	1.4	12.1	8.9
FTSE	7,391	1.0	2.7	3.6	9.8	5.1
DAX	11,755	0.6	2.9	1.4	11.1	(2.1)
NIKKEI	21,505	0	0.4	(1.5)	9.9	1.0
Shanghai Comp	3,177	0.2	6.0	4.9	28.9	1.3
SENSEX	39,057	0.5	2.2	7.2	7.7	17.0
Brent (USD/bbl)	69.37	0.5	2.1	5.6	26.3	1.8
Gold (USD/oz)	1,292	0.4	(1.8)	0.4	0.8	(3.0)
CRB Index	426.4	0	0.2	3.2	4.1	(2.5)
Rogers Agri Index	749.3	0.1	(1.7)	0.2	(1.1)	(9.7)
LIBOR (3M)*	2.60	0	0	(1)	(20)	27
INR 5Yr Swap*	6.24	(23)	(38)	(77)	(98)	(64)
India FII data (US\$ mn)						
	29 Mar	28 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	723.8	(144.9)	829.0	2,936.6	1,284.1	(5,706.6)
FII-Equity	1,380.9	510.3	2,123.5	6,148.7	8,444.2	1,761.3

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken, ** 1Y yield is taken.

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