

**MACRO DAILY**

03 May 2019

**Macro developments**

- India's manufacturing PMI eased to an 8-month low of 51.8 in Apr'19 from 52.6 in Mar'19. The drop was attributable to softer pace of increase in new orders and employment on the back of the ongoing general election which curbed the overall business activity. However, this slowdown was offset by expansion in exports orders which rose at a solid pace.
- BoE in its latest policy kept bank rate unchanged at 0.75%. However, it sounded bit hawkish as governor signalled interest rate increases over the next three years with evolution of favourable growth & inflation dynamics and resolution of Brexit impasse. This is in contrast to monetary easing stance adopted by major global central banks lately. BoE has also raised its growth forecast to 1.5% in CY19 vs 1.2% earlier.
- Eurozone's manufacturing PMI activity contracted for the 3rd straight month in Apr'19 (47.9 vs 47.5 in Mar'19, 6-year low). The decline was led by Germany (44.4 in Apr'19 vs 44.1 in Mar'19) as new orders declined for the 7th successive month. However the pace of contraction is seen easing in Germany, France and Italy in Apr'19.

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**Markets**

- **Bonds:** Except India and China, global yields closed higher. This was driven by robust factory orders and jobless claims data in US and a hawkish stance from BoE. This drove US 10Y yield higher by 4bps (2.54%). Crude prices declined by (-) 2% (US\$ 71/bbl) driven by higher US inventories. In response, India's 7.26GS2029 yield declined a tad by 1bps (7.39%). It was trading further lower at 7.37% today.
- **Currency:** Barring INR, global currencies closed lower. DXY strengthened by 0.1% as investors lowered expectations of a rate cut by the Fed. GBP fell by (-) 0.1% after BoE left its policy rate unchanged. INR rose by 0.3% as oil prices fell. It was trading flat today, while Asian currencies were trading lower.
- **Equity:** Global equity indices closed lower led by Fed's patient approach towards interest rates. Dow fell by (-) 0.5% led by tech stocks. This was followed by FTSE which was down by (-) 0.5% after BoE held rates. While Asian markets were trading mixed today, Sensex was trading higher.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.54	4	1	4	(9)	(40)
UK	1.19	4	3	14	(3)	(20)
Japan	(0.04)	0	(1)	3	(5)	(9)
Germany	0.03	2	4	6	(12)	(50)
India#	7.50	(3)	(6)	8	2	(20)
China	3.40	0	(2)	25	30	(25)
<b>2Y yields (Δ bps)</b>						
US	2.34	4	1	1	(11)	(13)
UK	0.77	3	3	10	1	1
Japan	(0.15)	0	0	2	2	(2)
Germany	(0.59)	0	1	2	(2)	0
India	6.77	(5)	0	22	(17)	(58)
China**	2.66	(1)	(2)	27	24	(30)
<b>Currencies (Δ %)</b>						
EUR	1.1172	(0.2)	0.4	(0.4)	(2.4)	(6.8)
GBP	1.3032	(0.1)	1.0	(0.5)	(0.6)	(4.0)
JPY	111.51	(0.1)	0.1	(0.1)	(2.4)	(2.1)
AUD	0.7000	(0.2)	(0.2)	(1.6)	(3.8)	(7.1)
INR	69.37	0.3	1.3	(0.3)	2.4	(4.1)
CNY	6.7349	(0.1)	0.1	(0.3)	(0.5)	(6.0)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	26,308	(0.5)	(0.6)	1.5	5.2	9.9
FTSE	7,351	(0.5)	(1.1)	1.0	5.5	(2.0)
DAX	12,345	0	0.5	7.1	10.5	(2.7)
NIKKEI	22,259	(0.2)	(0.2)	5.0	7.1	(1.0)
Shanghai Comp	3,078	(0.3)	(1.5)	(0.4)	19.1	(0.7)
SENSEX	38,981	(0.1)	0.6	0.8	7.5	11.0
Brent (USD/bbl)	70.75	(2.0)	(4.8)	3.5	14.3	(3.9)
Gold (USD/oz)	1,271	(0.5)	(0.5)	(1.7)	(3.8)	(3.2)
CRB Index	418.4	(0.4)	(0.7)	(1.9)	1.4	(6.3)
Rogers Agri Index	722.6	(0.2)	(0.7)	(2.8)	(6.9)	(15.8)
LIBOR (3M)*	2.58	0	(1)	(2)	(16)	21
INR 5Yr Swap*	7.23	11	11	76	4	10
<b>India FII data (US\$ mn)</b>						
	<b>30 Apr</b>	<b>26 Apr</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(108.5)	(183.4)	(108.5)	(1,317.7)	(301.3)	(1,317.7)
FII-Equity	(130.6)	23.0	(130.6)	1,472.6	9,767.3	1,472.6

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, # 7.17 GS 2028 security, \*\* 1Y yield. Japanese Markets have been closed from 1.05.19.

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