


MACRO DAILY

04 April 2019

Macro developments

- According to Skymet, India is expected to receive below normal monsoon at 93% of LPA. There is 55% likelihood of below normal rains on the back of devolving El Nino, throughout the season. This in turn is likely to negatively impact agriculture growth in FY20.
- RBI reported that currency in circulation declined by (-) Rs 84bn (on a weekly basis) and stood at Rs 21tn as on 29 Mar 2019. Overall reserve money grew at a slower pace of 15% in FY19, compared to 27% a year ago.
- Services activity in the US showed some moderation as reflected in the ISM non-manufacturing index which was at 56.1 in Mar'19 vs 59.7 in Feb'19. This was driven by fall in new orders and business activity. However, what has been a respite is a pickup in global services PMI to 53.7 vs 53.3 in Feb'19. The strongest growth was seen in Spain and Germany. China services activity also remained robust as Caixin PMI rose to 54.4 vs 51.1 in Feb'19.

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Markets

- **Bonds:** Global yields closed higher. This was driven by expectation of optimistic outcome on US-China trade deal. Yields also got support from buoyant services activity in China. US 10Y yield rose by 5bps (2.52%). Crude prices fell marginally by 0.1% (US\$ 69/bbl) amid build-up of US inventories. India's 7.26GS2029 yield closed flat at 7.27% ahead of RBI's policy. It was trading lower at 7.25% today.
- **Currency:** Barring JPY, other global currencies closed higher supported by a weaker dollar. DXY declined by (-) 0.3% as US-China worked to resolve trade differences. GBP rose by 0.2% on growing Brexit optimism. INR appreciated sharply by 0.6% to close at the highest level since Jun'18, on the back of strong FII inflows. It however opened lower today ahead of RBI policy meet, while Asian currencies were trading mixed.
- **Equity:** Barring Sensex, global indices closed higher on the back of renewed optimism over US-China trade deal. Dax surged by 1.7% followed by Shanghai Comp (1.2%). Sensex dropped off from its record high as fears of below normal monsoon stoked concerns of slower growth. 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	2.52	5	16	(20)	(10)	(28)
UK	1.10	9	9	(18)	(11)	(27)
Japan	(0.05)	2	2	(5)	(5)	(8)
Germany	0.01	6	9	(15)	(16)	(49)
India#	7.42	0	(6)	(14)	7	13
China	3.25	8	16	5	7	(49)
2Y yields (Δ bps)						
US	2.33	3	13	(21)	(13)	4
UK	0.71	7	3	(7)	(1)	(14)
Japan	(0.15)	0	1	(1)	(1)	(2)
Germany	(0.58)	3	2	(7)	3	1
India	6.53	0	(4)	(12)	(29)	(27)
China**	2.41	3	1	4	(1)	(87)
Currencies (Δ %)						
EUR	1.1233	0.3	(0.1)	(0.9)	(1.0)	(8.5)
GBP	1.3158	0.2	(0.2)	(0.2)	4.4	(6.5)
JPY	111.49	(0.2)	(0.9)	0.2	(2.4)	(4.4)
AUD	0.7113	0.6	0.4	0.3	1.8	(7.8)
INR	68.42	0.5	0.7	2.9	2.5	(5.0)
CNY	6.7114	0.2	0.2	(0.1)	2.2	(6.5)
Equity & Other indices (Δ %)						
DOW	26,218	0.1	2.3	1.6	12.3	8.1
FTSE	7,418	0.4	3.1	3.3	10.2	5.5
DAX	11,954	1.7	4.7	2.9	13.0	0
NIKKEI	21,713	1.0	1.6	(0.1)	11.0	1.8
Shanghai Comp	3,216	1.2	6.4	5.3	30.5	2.7
SENSEX	38,877	(0.5)	2.0	6.7	8.3	17.7
Brent (USD/bbl)	69.31	(0.1)	2.2	5.2	26.2	1.9
Gold (USD/oz)	1,290	(0.2)	(1.5)	0.1	0.4	(3.2)
CRB Index	426.9	0.1	0.1	3.1	4.3	(1.9)
Rogers Agri Index	751.4	0.3	(0.7)	(0.1)	(0.8)	(8.7)
LIBOR (3M)*	2.60	1	0	0	(19)	28
INR 5Yr Swap*	6.33	9	(26)	(70)	(87)	(57)
India FII data (US\$ mn)						
	02 Apr	29 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(252.1)	723.8	(252.1)	(252.1)	1,016.3	(252.1)
FII-Equity	68.6	1,380.9	68.6	68.6	8,294.7	68.6

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

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