


MACRO DAILY

06 March 2019

Macro developments

- India's services PMI rose for the 9th straight month to 52.5 in Feb'19 from 52.2 in Jan'19. This was attributable to faster expansion in new orders signalling stronger demand conditions. It was further supported by higher job creation and improvement in output levels. This in turn resulted in composite PMI accelerating to a three-month high of 53.8 in Feb'19 from 53.6 in Jan'19, led by uptick in both manufacturing and services PMI.
- New home sales in the US grew by 3.7% in Dec'18, the highest since May'18 (est.: -8.7%) on the back of lower prices and mortgage rates. However, new home sales in Oct and Nov'18 were revised downward indicating that the housing market continues to remain soft. Separate data also showed that US non-manufacturing index rose to 59.7 in Feb'19 (est.: 57.3) from 56.7 in Jan'19.
- In a major respite to the current trend of global growth slowdown, services activity in major economies showed revival in Feb'19. Eurozone PMI recorded considerable improvement (52.8 vs 51.2 in Jan'19) driven by inflow in new orders and increase in sales. In Japan as well, strengthening demand and gains in employment led services PMI to rise for the 2nd consecutive month. Input cost pressure remained muted.

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Markets

- Bonds:** Barring India and US, global yields closed higher. This was driven by stronger economic data globally. Crude prices rose by 0.3% (US\$ 66/bbl) amid possible negotiations in the US-China trade deal. 7.26GS2029 closed stable at 7.38%. It was trading flat at 7.38% today supported by RBI's OMO purchase announcement of Rs 125bn as on 7 Mar 2019.
- Currency:** DXY rose (by 0.2%) for the 5th straight session on the back of better than expected US macro data. EUR depreciated by (-) 0.3% ahead of the ECB policy meet. INR appreciated by 0.6% on the back of FII inflows. It was however trading lower today, in line with other Asian currencies.
- Equity:** Global indices ended higher with the exception of Dow and Nikkei, as investors keenly awaited a possible trade deal between US-China. Sensex surged by 1.1% supported by DII inflows of Rs 5.8bn. While Asian stocks were trading mixed; Sensex opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.72	(1)	8	3	(20)	(17)
UK	1.29	1	8	4	1	(23)
Japan	0.01	1	4	2	(6)	(5)
Germany	0.17	1	5	0	(10)	(51)
India#	7.56	0	(3)	(5)	(1)	(22)
China	3.23	2	4	12	(11)	(63)
2Y yields (Δ bps)						
US	2.54	0	6	4	(25)	29
UK	0.81	3	1	3	7	(1)
Japan	(0.14)	0	3	4	(1)	3
Germany	(0.50)	1	3	8	11	4
India	6.65	(6)	(3)	(34)	(56)	(36)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1308	(0.3)	(0.7)	(1.3)	(0.3)	(8.8)
GBP	1.3178	0	(0.6)	0.8	3.6	(5.1)
JPY	111.89	(0.1)	(1.2)	(2.2)	0.8	(5.4)
AUD	0.7084	(0.1)	(1.4)	(2.3)	(3.5)	(9.5)
INR	70.49	0.6	0.8	1.1	0	(8.5)
CNY	6.7076	0	(0.1)	0.6	1.9	(6.2)
Equity & Other indices (Δ %)						
DOW	25,807	(0.1)	(1.0)	3.0	3.1	3.7
FTSE	7,183	0.7	0.5	2.3	2.3	0.5
DAX	11,621	0.2	0.7	3.9	2.5	(4.1)
NIKKEI	21,726	(0.4)	1.3	4.5	(1.4)	1.4
Shanghai Comp	3,054	0.9	3.8	16.7	14.6	(7.2)
SENSEX	36,443	1.1	1.3	(0.1)	0.9	9.4
Brent (USD/bbl)	65.86	0.3	1.0	5.0	6.1	0.1
Gold (USD/oz)	1,288	0.1	(3.1)	(2.3)	4.0	(3.5)
CRB Index	414.2	0.2	0.3	0.3	(1.1)	(7.0)
Rogers Agri Index	751.9	0.5	(0.3)	(3.2)	(3.7)	(12.5)
LIBOR (3M)*	2.61	1	(2)	(13)	(13)	56
INR 5Yr Swap*	7.03	2	(3)	(19)	(49)	18
India FII data (US\$ mn)						
	1 Mar	28 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	61.9	(470.5)	(868.3)	61.9	(1,606.3)	(8,596.9)
FII-Equity	586.9	121.4	1,137.4	586.9	2,664.3	(4,018.6)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken, Indian markets were closed on 4 Mar 19

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