


MACRO DAILY

07 May 2019

Macro developments

- India's services PMI fell from 52 in Mar'19 to 51 in Apr'19 (lowest since Sep'18). The decline was led by lower new business, output growth, and clearance of backlog. This was due to delay in client payments, increased competition and ongoing elections. However, marginal expansion was driven by higher new exports orders (10-month high in Apr'19). Future business index shows that conditions are expected to normalise post elections.
- Global PMI remained fairly stable. Composite PMI in Eurozone was at 51.5 in Apr'19 vs 51.6 in Mar'19. This was driven by sustained pace of expansion in services sector. Both new orders and employment rose modestly. Manufacturing PMI in Japan also rose to its 3-month high of 50.2 in Apr'19 vs 49.2 in Mar'19, led by increase in employment. China's Caixin services PMI climbed to 54.5 in Apr'19 driven by higher export orders.
- Indonesia's GDP growth slowed to 5.1% in Q1CY19 from 5.2% in Q4CY18 and est.: 5.2%. The slowdown was largely driven by lower export (-2%) and investment growth (5% vs 6% in Q4). Household consumption remained unchanged at 5% in Q1, while government spending rose by 5.2% vs 4.6% in Q4.

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Markets

- Bonds:** Global yields closed mixed on the back of potential tariff threat by US on China. US 10Y yield closed lower by 2bps (2.51%) as investors seek safe haven. Crude prices inched up by 0.6% (US\$ 71/bbl) on the back of US sanctions on Iran and Venezuela. India's 7.26GS2029 closed stable at 7.39%. It was trading higher at 7.41% today.
- Currency:** Barring EUR and JPY, other global currencies closed lower on escalating trade tensions between US and China. While DXY closed flat, CNY fell by (-) 0.5%. JPY gained 0.3%. INR depreciated by (-) 0.3% on the back of higher oil prices and FII outflows. It opened slightly higher today while Asian currencies were trading mixed.
- Equity:** Renewed tensions surrounding US-China trade war propelled global equity indices lower, with Dow falling by (-) 0.3%. Sensex slipped by (-) 0.9% tracking global cues. While Asian markets were trading mixed in the morning session today, Sensex was trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.51	(2)	(2)	1	(21)	(44)
UK	1.22	0	6	10	(6)	(18)
Japan	(0.04)	0	0	(1)	(3)	(9)
Germany	0.01	(2)	0	(0)	(17)	(53)
India#	7.50	0	(3)	(1)	(17)	(12)
China	3.37	(4)	(4)	10	26	(30)
2Y yields (Δ bps)						
US	2.29	(4)	(0)	(5)	(25)	(21)
UK	0.80	0	5	8	1	2
Japan	(0.15)	0	0	0	2	(1)
Germany	(0.59)	(1)	(1)	(3)	(2)	(2)
India	6.77	0	(3)	18	(26)	(70)
China**	2.62	(4)	(5)	21	22	(29)
Currencies (Δ %)						
EUR	1.1199	0.0	0.1	(0.2)	(2.1)	(6.1)
GBP	1.3097	(0.6)	1.2	0.5	0.5	(3.4)
JPY	110.76	0.3	0.8	0.9	(0.8)	(1.5)
AUD	0.6991	(0.4)	(0.9)	(1.6)	(3.3)	(7.0)
INR	69.41	(0.3)	0.9	(0.3)	3.3	(3.4)
CNY	6.7662	(0.5)	(0.5)	(0.7)	(0.3)	(6.3)
Equity & Other indices (Δ %)						
DOW	26,438	(0.3)	(0.4)	0.1	4.8	8.5
FTSE	7,381	0.4	(0.8)	(0.9)	4.9	(2.5)
DAX	12,287	(1.0)	(0.3)	2.3	9.9	(5.1)
NIKKEI	22,259	(0.2)	0.3	2.1	6.6	(0.9)
Shanghai Comp	2,906	(5.6)	(5.1)	(8.3)	11.0	(7.3)
SENSEX	38,600	(0.9)	(1.2)	(0.7)	5.5	9.6
Brent (USD/bbl)	71.24	0.6	(1.1)	1.3	14.0	(6.5)
Gold (USD/oz)	1,281	0.2	0.1	(0.8)	(2.4)	(2.5)
CRB Index	417.5	(0.3)	(1.1)	(1.7)	1.0	(6.3)
Rogers Agri Index	712.9	(1.0)	(1.7)	(5.1)	(8.5)	(15.8)
LIBOR (3M)*	2.56	(1)	(2)	(3)	(17)	19
INR 5Yr Swap*	7.24	0	13	89	0	18
India FII data (US\$ mn)						
	3 May	2 May	WTD	MTD	CYTD	FYTD
FII-Debt	(628.6)	(18.8)	(755.8)	(647.4)	(948.7)	(1,965.1)
FII-Equity	(13.0)	78.4	(65.2)	65.4	9,832.7	1,538.0

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security, ** 1Y yield. FTSE & Nikkei were closed yesterday.

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