


**MACRO DAILY**

09 May 2019

**Macro developments**

- RBI reported that currency in circulation increased by Rs 72bn (on a weekly basis) and stood at Rs 21.8tn as on 3 May 2019. Overall reserve money grew by only 14% on a YoY basis compared to 25% a year ago. On FYTD basis, reserve money is growing at a slower pace of 0.6% against 0.9% in the previous year.
- China's trade data shows that trade war concerns and global growth slowdown are impacting its exports (-2.7% in Apr'19 vs est.: +3% and 14.2% in Mar'19). This was led by decline in shipments to the US, Japan and S. Korea. On the other hand, its imports improved by 4% in Apr'19 vs (-) 7.6% in Mar'19. While this could be attributed to higher oil and iron ore prices, it is also possible that the fiscal stimulus program is beginning to show its impact.
- New Zealand's central bank cut its policy rate by 25bps to 1.50% for the first time since Nov'16, while also hinting at the possibility of another rate cut. This was done to support employment and inflation. The MPC also flagged US-China trade dispute as a major risk to growth. Separately, Bank of Thailand kept its policy rate steady while noting that the economy will grow at a slower pace than its earlier estimate of 3.8%.

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**Markets**

- **Bonds:** Global yields closed mixed amid rising tensions over US-China trade deal. US 10Y yield closed higher by 3bps (2.48%) on the back of poor auction of government debt. Crude prices edged marginally higher by 0.7% (US\$ 70/bbl) over demand-supply dynamics. India's 7.26GS2029 yield closed flat at 7.38%. It was trading at 7.37% today.
- **Currency:** Barring JPY, other global currencies closed lower as investors await the result of US-China trade talks scheduled today. DXY and EUR closed flat. INR depreciated by (-) 0.4% on the back of rising oil prices. It was trading even lower today in line with other Asian currencies.
- **Equity:** Global equity indices ended mixed on the back of the uncertainties over outcome of US-China trade negotiations. Dow ended flat as investors remained cautious. Sensex fell by (-) 1.3% weighed down by weaker global cues and mixed corporate earnings report. Both Asian markets and Sensex were trading lower today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.48	3	(2)	(1)	(21)	(52)
UK	1.14	(2)	(1)	2	(8)	(32)
Japan	(0.05)	0	(1)	(2)	(4)	(10)
Germany	(0.04)	(1)	(6)	(5)	(21)	(60)
India#	7.47	(1)	(6)	(4)	(10)	(24)
China	3.35	(1)	(6)	8	24	(36)
<b>2Y yields (Δ bps)</b>						
US	2.30	1	(1)	(4)	(23)	(23)
UK	0.75	(1)	1	3	1	(7)
Japan	(0.15)	0	0	0	1	(2)
Germany	(0.61)	(1)	(3)	(5)	(6)	(3)
India	6.77	0	(3)	18	(17)	(74)
China**	2.60	(1)	(6)	20	21	(30)
<b>Currencies (Δ %)</b>						
EUR	1.1192	0	0	(0.2)	(1.5)	(5.6)
GBP	1.3006	(0.5)	(0.3)	(0.2)	0.6	(4.0)
JPY	110.10	0.1	1.1	1.5	(0.1)	(0.3)
AUD	0.6988	(0.3)	(0.4)	(1.6)	(1.6)	(6.4)
INR	69.71	(0.4)	(0.2)	(0.7)	2.6	(3.6)
CNY	6.7828	(0.1)	(0.7)	(1.0)	(0.6)	(6.6)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,967	0	(1.8)	(1.7)	2.3	5.8
FTSE	7,271	0.1	(1.5)	(2.4)	1.4	(5.1)
DAX	12,180	0.7	(1.3)	1.4	7.6	(5.9)
NIKKEI	21,603	(1.5)	(2.9)	(0.9)	3.5	(3.6)
Shanghai Comp	2,894	(1.1)	(6.0)	(10.9)	10.5	(8.4)
SENSEX	37,789	(1.3)	(3.2)	(2.8)	2.2	7.0
Brent (USD/bbl)	70.37	0.7	(2.5)	0	12.3	(8.9)
Gold (USD/oz)	1,281	(0.3)	0.3	(0.8)	(2.0)	(2.4)
CRB Index	414.2	(0.7)	(1.4)	(2.5)	0.2	(6.9)
Rogers Agri Index	708.8	(0.5)	(2.1)	(5.6)	(9.2)	(16.2)
LIBOR (3M)*	2.56	0	(2)	(3)	(18)	21
INR 5Yr Swap*	7.13	(11)	1	77	(9)	(4)
<b>India FII data (US\$ mn)</b>						
	<b>7 May</b>	<b>6 May</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(13.1)	(0.3)	(13.3)	(660.7)	(962.0)	(1,978.4)
FII-Equity	405.5	44.5	450.0	515.4	10,282.7	1,988.0

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

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