

## MACRO DAILY

14 October 2019

### Macro developments

- World Bank has slashed India's GDP forecast in FY20 to 6% from 7.5% earlier. This was on the back of tepid consumption due to rural distress, weak investment demand and liquidity issues with NBFCs. It noted that recent economic measures announced by the government along with an accommodative monetary policy will support growth. As a result, growth is expected to recover to 6.9% in FY21 and 7.2% in FY22.
- China's exports fell more sharply (-3.2%) than anticipated (-2.8%) in Sep'19 vs (-) 1% in Aug'19. The steepest decline since Feb'19 is attributed to continuous trade friction with US and fading of "front-loading" which had cushioned Jul-Aug'19 export print. Imports too fell, by (-) 8.5% vs (-) 5.6% in Aug'19 and est.: 5.2%, driven by lower commodity prices and weak domestic demand.
- Monetary Authority of Singapore (MAS) in its semi-annual review stated that it will reduce the rate of appreciation of S\$ NEER. Width of policy band remains unchanged. Due to global risk sentiment, S\$ NEER fluctuated in the upper half of the policy band, impacting capital inflows. MAS' policy tool is setting of exchange rate rather than interest rate.

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### Markets

- Bonds:** Global yields closed higher as risk appetite improved due to optimism over Brexit deal and US-China trade deal. UK 10Y yield rose the highest (12bps) followed by US (6bps). Crude prices increased by 2.4% (US\$ 61/bbl) amidst hopes of deeper output cuts by OPEC. Thus, India's 10Y yield rose by 4bps (6.73%). It is trading marginally higher at 6.74% today ahead of the release of CPI data print.
- Currency:** Barring safe-haven DXY and JPY, other major global currencies closed higher as US-China trade talks concluded on a positive note. GBP rose by 1.8% on increased hopes of an orderly Brexit. INR also appreciated by 0.1%. It is trading higher today, in line with other Asian currencies.
- Equity:** Positive developments surrounding US-China trade talks and constructive talks on Brexit pushed global indices higher. Dax (2.9%) surged the most, followed by Dow (1.2%). Sensex too gained by 0.7%. It is trading higher today in line with other Asian stocks.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.73	6	20	(4)	(39)	(143)
UK	0.71	12	26	3	(13)	(93)
Japan	(0.18)	2	3	3	(7)	(33)
Germany	(0.44)	3	14	7	(23)	(94)
India^	6.73	4	4	6	24	(125)
China	3.16	3	2	7	0	(43)
<b>2Y yields (Δ bps)</b>						
US	1.59	5	19	(13)	(26)	(126)
UK	0.55	8	20	0	(5)	(29)
Japan	(0.29)	1	4	(2)	(11)	(18)
Germany	(0.72)	(1)	6	0	0	(16)
India	5.67	1	4	(4)	(51)	(198)
China#	2.57	0	2	(1)	0	(29)
<b>Currencies (Δ %)</b>						
EUR	1.1042	0.3	0.6	(0.2)	(2.0)	(4.5)
GBP	1.2668	1.8	2.7	2.7	0.8	(3.7)
JPY	108.29	(0.3)	(1.3)	(0.2)	(0.4)	3.5
AUD	0.6794	0.5	0.3	(1.0)	(3.2)	(4.5)
INR	71.02	0.1	(0.2)	0.2	(3.4)	3.5
CNY	7.0883	0.4	0.8	(0.1)	(3.0)	(2.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,817	1.2	0.9	(1.3)	(1.9)	5.8
FTSE	7,247	0.8	1.3	(1.3)	(3.4)	3.6
DAX	12,512	2.9	4.2	0.8	1.5	8.6
NIKKEI	21,799	1.1	1.8	0.2	0.5	(3.9)
Shanghai Comp	2,974	0.9	2.4	(1.9)	1.5	14.1
SENSEX	38,127	0.7	1.2	2.8	(1.6)	9.8
Brent (US\$/bbl)	60.51	2.4	3.7	0.2	(9.3)	(24.8)
Gold (US\$/oz)	1,489	(0.3)	(1.0)	(0.7)	5.2	22.3
CRB Index	391.3	0.9	0.7	1.7	(3.5)	(6.3)
Rogers Agri Index	725.6	2.0	1.9	4.0	(3.4)	(8.2)
LIBOR (3M)*	2.0	1	(3)	(12)	(32)	(44)
INR 5Y Swap*	6.4	3	8	14	(19)	(140)
<b>India FII data (US\$ mn)</b>						
	<b>9 Oct</b>	<b>7 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(111.8)	(87.2)	(148.7)	(131.0)	3,842.4	3,297.8
FII-Equity	(11.2)	(96.0)	(159.1)	(655.9)	7,504.8	659.6

Source: Bloomberg, Bank of Baroda | ^7.26% GS 2029 | \*Indicates change in bps | #1Y yield

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