

## MACRO DAILY

19 July 2019

### Macro developments

- ADB has revised India's growth projection downward to 7% in FY20 (7.2% earlier), on account of slowdown in consumption and investment demand. However, growth momentum is expected to pick up to 7.2% in FY21. The report further stated that US decision to end preferential trade treatment to India under its GSP would have minimal impact on India's exports.
- Japan's exports fell for the 7th consecutive month in Jun'19, by (-) 6.7% on YoY basis vs (-) 7.8% in May'19. Exports to China continue to weaken as they fell by (-) 10.1% in Jun'19 vs (-) 9.7% in May'19, in particular car parts and steel pipes. Exports to W. Europe also remain a concern (-9.4% vs -9.5% in May'19). As a sign of weaker domestic growth, imports too fell sharply in Jun'19 (-5.2% vs -1.5% in May'19).
- In line with market expectations, Bank Indonesia (BI) cut its policy rate by 25bps to 5.75%. This is a first in 2 years and comes after BI had increased rates 6 times in CY18 (175ps) to support Rupiah. The latest move pre-empted Fed's rate cut decision and also takes into account domestic factors such as muted inflationary pressures and lower GDP growth. BI expects growth to continue to hover around 5% in CY19.

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### Markets

- **Bonds:** Global yields closed mixed. US 10Y yield fell by 2bps (2.02%) as comments from New York Fed president escalated hopes of rate cut. Crude prices declined by (-) 2.7% (US\$ 62/bbl) as Russia's output rebounded from a 3-year low. India's 10Y yield rose by 4bps (6.39%) driven by selling from PSBs and private banks. It is trading lower at 6.36% today.
- **Currency:** Except INR and CNY other global currencies closed higher. DXY fell by (-) 0.4% as dovish comments by Fed officials strengthened expectations of an aggressive rate cut by Fed. INR depreciated by (-) 0.2%, falling for the third straight session. It opened higher today in line with other Asian currencies.
- **Equity:** Barring Dow which closed flat, other global indices ended lower on the back of trade uncertainty. Sensex slipped in red (-0.8%) led by poor Q1 earning results and subdued cues from global markets. It is trading higher today in line with other Asian stocks, as the likelihood of monetary easing increased after Fed official's remarks.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.02	(2)	(11)	(7)	(54)	(81)
UK	0.76	0	(8)	(9)	(44)	(43)
Japan	(0.13)	(1)	1	(1)	(10)	(17)
Germany	(0.31)	(2)	(9)	(7)	(34)	(64)
India	6.39	4	(11)	(54)	(103)	(140)
China	3.16	(2)	(1)	(8)	(20)	(28)
<b>2Y yields (Δ bps)</b>						
US	1.76	(6)	(11)	(11)	(62)	(83)
UK	0.53	(1)	(8)	(8)	(23)	(19)
Japan	(0.19)	(1)	0	0	(4)	(7)
Germany	(0.75)	0	(2)	(6)	(18)	(12)
India	6.07	(3)	(12)	(17)	(62)	(145)
China**	2.58	0	(1)	5	(8)	(48)
<b>Currencies (Δ %)</b>						
EUR	1.1277	0.5	0.2	0.5	0.4	(3.1)
GBP	1.2549	0.9	0.2	0.1	(3.4)	(3.6)
JPY	107.30	0.6	1.1	1.1	4.2	4.6
AUD	0.7075	0.9	1.4	3.2	(1.1)	(3.9)
INR	68.96	(0.2)	(0.8)	1.3	0.6	0.1
CNY	6.8800	(0.1)	(0.1)	0.7	(2.5)	(1.5)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	27,223	0	0.5	4.3	2.5	8.6
FTSE	7,493	(0.6)	(0.2)	1.8	0.4	(2.5)
DAX	12,228	(0.9)	(0.8)	1.2	0	(3.6)
NIKKEI	21,046	(2.0)	(2.8)	(0.4)	(4.7)	(7.5)
Shanghai Comp	2,901	(1.0)	(0.6)	0.5	(10.7)	4.6
SENSEX	38,897	(0.8)	0.2	(0.2)	(0.6)	7.0
Brent (USD/bbl)	61.93	(2.7)	(6.9)	1.6	(14.0)	(14.7)
Gold (USD/oz)	1,446	1.4	3.0	7.9	13.3	18.2
CRB Index	403.9	(0.1)	(0.2)	(2.1)	(5.0)	(6.2)
Rogers Agri Index	730.4	(0.9)	(2.2)	(5.0)	(1.6)	(7.6)
LIBOR (3M)*	2.30	0	(4)	(12)	(28)	(4)
INR 5Yr Swap*	6.45	(1)	(13)	(32)	(23)	(125)
<b>India FII data (US\$ mn)</b>						
	<b>17 Jul</b>	<b>16 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(88.5)	114.9	179.4	1,240.0	2,668.3	2,123.6
FII-Equity	(12.5)	(52.3)	(92.5)	(834.6)	10,504.2	3,659.0

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, \*\* as on 16.07.2019.

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