

MACRO DAILY

12 July 2019

Macro developments

- RBI purchased US\$ 7.4bn in the spot market in May'19 vs US\$ 4.9bn in Apr'19. In the forwards market too, RBI purchased US\$ 224mn compared with net sales of US\$ 4.7bn in Apr'19. In FYTD20, RBI has purchased US\$ 12.3bn in the spot market (vs US\$ 28.6bn last year) while it has sold US\$ 4.5bn in the forwards market (vs net sales of US\$ 9.6bn in FYTD19).
- Singapore's GDP growth contracted sharply in Q2CY19 by (-) 3.4% on QoQ annualised basis vs est.: 0.1% and 3.8% in Q1CY19. This was on account of contraction in manufacturing sector (-3.8% vs -0.4% in Q1), led by electronics and precision engineering. Construction activity too slowed (2.2% vs 2.7% in Q1), while services growth remained steady at 1.2%.
- US CPI rose by 0.1% in Jun'19 on MoM basis, same pace as May'19. Core CPI however rose by 0.3%, to its highest since Jan'18 led by sharp gains in prices of apparel, used cars, trucks and household furnishings. On a YoY basis, core CPI rose by 2.1% vs 2% in May'19. Separately, CPI in Germany and France remained stable at 1.6% and 1.2% in Jun'19 respectively.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield closed higher by 8bps (2.14%) as core CPI firmed to a 1.5 year high in Jun'19. Crude prices fell by (-) 0.7% (US\$ 67/bbl) on persistent trade war concerns. India's 10Y yield closed lower by 5bps (6.49%) as surplus liquidity in the system rose to Rs 1.1tn. It is trading at 6.52% today ahead of CPI data release.
- **Currency:** Despite a pickup in US retail inflation, DXY closed flat on expectations of a rate cut by the Fed on the back of dovish comments by Fed Chair Powell. While EUR, AUD and INR rose by 0.2% each, other global currencies were unchanged. INR opened lower today ahead of CPI and IIP data release. Asian currencies are trading higher.
- **Equity:** Barring European indices, other global indices closed higher as US Fed Chair hinted at the likelihood of more dovish policy. Dow surged by 0.8% and crossed the 27,000 mark for the first time. Sensex gained by 0.7% tracking global cues and supported by buoyant DII inflow of Rs 7.2bn. It is trading higher today, while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.14	8	19	(1)	(36)	(71)
UK	0.84	8	16	0	(31)	(45)
Japan	(0.14)	(2)	2	(2)	(8)	(18)
Germany	(0.23)	8	17	(1)	(22)	(58)
India	6.49	(5)	(25)	(58)	(88)	(129)
China	3.17	0	1	(9)	(11)	(35)
2Y yields (Δ bps)						
US	1.86	3	10	(4)	(49)	(72)
UK	0.61	4	10	6	(12)	(13)
Japan	(0.19)	(1)	2	0	(3)	(6)
Germany	(0.73)	0	3	(6)	(15)	(9)
India	6.19	(2)	(4)	(10)	(48)	(139)
China	2.58	(1)	2	5	15	(50)
Currencies (Δ %)						
EUR	1.1254	0	(0.3)	(0.5)	0	(3.6)
GBP	1.2521	0.2	(0.5)	(1.3)	(4.1)	(5.2)
JPY	108.50	0	(0.6)	0	2.8	3.6
AUD	0.6974	0.2	(0.7)	0.2	(2.1)	(5.9)
INR	68.44	0.2	0.1	1.7	0.7	0.2
CNY	6.8702	0	0	0.9	(2.2)	(3.0)
Equity & Other indices (Δ %)						
DOW	27,088	0.8	0.6	3.9	3.6	8.7
FTSE	7,510	(0.3)	(1.2)	1.8	1.2	(1.8)
DAX	12,332	(0.3)	(2.4)	1.5	3.3	(1.3)
NIKKEI	21,644	0.5	(0.3)	2.4	(0.3)	(2.5)
Shanghai Comp	2,918	0.1	(2.9)	2.3	(8.5)	2.8
SENSEX	38,823	0.7	(2.7)	(2.4)	0.6	6.2
Brent (USD/bbl)	66.52	(0.7)	5.1	6.8	(6.1)	(10.7)
Gold (USD/oz)	1,404	(1.1)	(0.9)	5.7	8.6	12.5
CRB Index	404.6	0.2	0.1	(1.5)	(4.7)	(7.2)
Rogers Agri Index	746.7	0.6	0.1	0.1	0	(5.2)
LIBOR (3M)*	2.34	0	4	(10)	(26)	0
INR 5Yr Swap*	6.58	6	(13)	(9)	(10)	(115)
India FII data (US\$ mn)						
	10 Jul	9 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(75.2)	273.0	391.3	877.5	2,305.8	1,761.2
FII-Equity	(67.1)	(127.6)	(242.7)	(611.0)	10,727.9	3,882.7

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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