

MACRO DAILY

12 September 2019

Macro developments

- As per news reports, government will set up a fund to provide guarantees to borrowers with low credit score. This will boost housing demand in the wake of liquidity crisis faced by NBFCs/HFCs. Earlier, RBI had also recommended setting up of a government sponsored intermediary under NHB for penetration of home loan securitisation market. Government has also provided Rs 200bn additional liquidity support to HFCs.
- US PPI rose by 0.1% in Aug'19 on a MoM basis vs 0.2% in Jul'19. However core PPI rose by 0.4% from (-) 0.1% decline in Jul'19. The surprise jump was led by services sector (0.3% vs -0.1% in Jul'19) wherein prices of travel, insurance and freight and cargo rose the most. However, analysts are viewing this increase as one-off event and believe Fed will cut rates soon.
- New loans growth in China fell by (-) 5.5% in Aug'19 on YoY basis. Outstanding Yuan loan growth (proxy for credit growth) also eased to 12.4% from 12.6% in Jul'19. However, outstanding Total Social Financing growth remained unchanged from last month at 10.7% in Aug'19. This is more likely on account of higher debt issuances by local governments.

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Markets

- Bonds:** Global yields closed mixed amidst easing tensions in US-China trade dispute. Investors are also awaiting cues from ECB's upcoming policy. US 10Y yield rose by 1bps (1.74%) as core PPI unexpectedly rose in Aug'19. Crude prices fell by (-) 2.5% (US\$ 61/bbl). India's 10Y yield rose by 10bps to a near 2-month high of 6.68% on account of fiscal concerns. It is trading even higher at 6.7% today, ahead of CPI data.
- Currency:** Global currencies closed mixed. EUR depreciated by (-) 0.3% ahead of the ECB policy meet. DXY edged up by 0.3% led by progress over US-China trade talks. INR rose by 0.1% as oil prices fell. It is trading even higher today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices closed higher after China announced tariff exemptions on 16 US goods, suggesting a de-escalation of trade tensions. Nikkei and FTSE gained 1% each. Following global cues, Sensex rose by 0.3%. It is trading higher today ahead of CPI and IIP data release. Asian stocks are also trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|--------------|--------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.74 | 1 | 27 | (1) | (38) | (122) |
| UK | 0.64 | 0 | 14 | 15 | (23) | (85) |
| Japan | (0.20) | 2 | 8 | 2 | (9) | (31) |
| Germany | (0.56) | (2) | 11 | 1 | (33) | (98) |
| India | 6.68 | 10 | 13 | 18 | (33) | (145) |
| China | 3.06 | 1 | 1 | 3 | (23) | (62) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.67 | 0 | 24 | 3 | (20) | (107) |
| UK | 0.49 | 1 | 13 | 4 | (12) | (31) |
| Japan | (0.27) | 2 | 3 | 0 | (8) | (16) |
| Germany | (0.84) | 0 | 5 | 2 | (17) | (30) |
| India | 5.71 | 0 | 4 | (14) | (58) | (226) |
| China# | 2.58 | 0 | (1) | 0 | 6 | (26) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1010 | (0.3) | (0.2) | (1.7) | (2.5) | (5.3) |
| GBP | 1.2326 | (0.2) | 0.6 | 2.4 | (2.9) | (5.5) |
| JPY | 107.82 | (0.3) | (1.3) | (2.0) | 0.6 | 3.1 |
| AUD | 0.6862 | 0 | 1.0 | 1.1 | (1.0) | (4.3) |
| INR | 71.67 | 0.1 | 0.6 | (1.2) | (3.3) | 0.7 |
| CNY | 7.1158 | 0 | 0.4 | (0.8) | (2.9) | (3.9) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,137 | 0.8 | 3.0 | 3.2 | 4.4 | 4.4 |
| FTSE | 7,338 | 1.0 | 0.4 | 1.2 | (0.4) | 0.3 |
| DAX | 12,359 | 0.7 | 2.8 | 5.7 | 2.0 | 2.7 |
| NIKKEI | 21,598 | 1.0 | 4.6 | 4.4 | 2.2 | (4.5) |
| Shanghai Comp | 3,009 | (0.4) | 1.7 | 8.4 | 3.4 | 13.3 |
| SENSEX | 37,271 | 0.3 | 1.5 | (0.8) | (6.3) | (1.2) |
| Brent (US\$/bbl) | 60.81 | (2.5) | 0.2 | 3.9 | 1.4 | (23.7) |
| Gold (US\$/oz) | 1,497 | 0.8 | (3.6) | 0 | 12.3 | 24.1 |
| CRB Index | 384.1 | 0.1 | (0.8) | (4.2) | (7.0) | (6.2) |
| Rogers Agri Index | 685.4 | 0.1 | 0.9 | (4.0) | (9.3) | (11.4) |
| LIBOR (3M)* | 2.13 | (1) | 2 | (4) | (30) | (20) |
| INR 5Y Swap* | 6.18 | 8 | 12 | (15) | (51) | (153) |
| India FII data (US\$ mn) | | | | | | |
| | 9 Sep | 6 Sep | WTD | MTD | CYTD | FYTD |
| FII-Debt | 38.0 | 89.8 | 38.0 | 461.7 | 4,708.9 | 4,164.2 |
| FII-Equity | 41.6 | (174.5) | 41.6 | (803.8) | 6,402.3 | (442.9) |

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield

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