

MACRO DAILY

13 September 2019

Macro developments

- RBI sold US\$ 93mn in the spot market in Jul'19 vs purchase of US\$ 2.5bn in Jun'19. In the forwards market, RBI purchased US\$ 4.8bn compared with US\$ 4.9bn in Jun'19. Outstanding forward position is at (-) US\$ 8.6bn vs US\$ 10.7bn in Jul'18. In FYTD20, RBI has purchased US\$ 9.8bn in the spot market and US\$ 15bn in the forwards market.
- US CPI eased to 0.1% in Aug'19 from 0.3% in Jul'19 on a MoM basis. However core CPI growth remained unchanged for the 3rd consecutive month at 0.3% in Aug'19. Prices of medical and transportation services rose the most. Separately, jobless claims for the week ending 7 Sep 2019 fell to 204,000 from 219,000 in the previous week.
- To boost growth, ECB has slashed interest rate on deposit facility by 10bps to (-) 0.5%. Other policy rates remain unchanged. The quantitative easing programme has also been reinstated with € 20bn of bond purchases each month from Nov'19. For better transmission of rates, a two-tier system for reserve remuneration has started. ECB has also revised its inflation and growth projection downward to 1.2% and 1.1% in CY19 respectively.

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed amidst development in US-China trade deal, inching up of core US CPI (on YoY basis) and ECB's monetary stimulus. US 10Y yield rose by 3bps (1.77%). Crude prices fell by (-) 0.7% (US\$ 60/bbl). India's 10Y yield fell by (-) 1bps (6.67%). It is trading further lower at 6.66% today, as CPI print was lower than expected in Aug'19.
- **Currency:** Except safe-haven JPY and US\$, other global currencies closed higher as US-China trade tensions subsided. EUR rose by 0.5% after ECB announced stimulus measures to revive growth. INR appreciated by 0.7% on falling oil prices. It is trading even higher today, in line with other Asian currencies.
- **Equity:** Barring Sensex, other global indices closed higher. ECB's quantitative easing program and US' indication to roll back some of the tariffs imposed on Chinese goods supported investor sentiments globally. Asian stocks are trading higher today while Sensex is trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.77	3	21	13	(32)	(120)
UK	0.67	4	7	18	(16)	(83)
Japan	(0.21)	(1)	5	1	(10)	(32)
Germany	(0.52)	5	8	8	(28)	(94)
India	6.67	(1)	9	14	(34)	(146)
China	3.09	3	7	6	(19)	(59)
2Y yields (Δ bps)						
US	1.72	4	19	14	(12)	(104)
UK	0.55	6	10	10	(4)	(26)
Japan	(0.28)	(1)	1	(1)	(8)	(17)
Germany	(0.72)	12	15	16	(5)	(18)
India	5.72	0	1	(17)	(56)	(225)
China#	2.58	0	(1)	0	6	(26)
Currencies (Δ %)						
EUR	1.1065	0.5	0.3	(1.3)	(1.9)	(5.3)
GBP	1.2335	0.1	0	2.1	(2.7)	(5.9)
JPY	108.10	(0.3)	(1.1)	(2.7)	0.3	3.4
AUD	0.6866	0.1	0.7	1.7	(0.7)	(4.6)
INR	71.14	0.7	1.0	0.4	(2.3)	1.0
CNY	7.0793	0.5	1.0	(0.3)	(2.3)	(3.4)
Equity & Other indices (Δ %)						
Dow	27,182	0.2	1.7	4.9	4.1	4.0
FTSE	7,345	0.1	1.0	1.6	(0.3)	0.9
DAX	12,410	0.4	2.3	6.3	2.0	2.9
NIKKEI	21,760	0.7	3.2	6.4	3.5	(4.7)
Shanghai Comp	3,031	0.7	1.5	7.7	4.1	12.8
SENSEX	37,104	(0.4)	1.3	0.4	(6.6)	(2.6)
Brent (US\$/bbl)	60.38	(0.7)	(0.9)	3.1	(1.5)	(22.8)
Gold (US\$/oz)	1,499	0.1	(1.3)	(0.8)	11.7	24.8
CRB Index	384.6	0.1	(0.9)	(3.3)	(6.9)	(6.1)
Rogers Agri Index	697.4	1.7	2.8	0	(8.6)	(9.3)
LIBOR (3M)*	2.13	0	3	(5)	(28)	(21)
INR 5Y Swap*	6.26	8	15	(12)	(53)	(145)
India FII data (US\$ mn)						
	11 Sep	9 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(19.6)	38.0	18.3	442.1	4,689.2	4,144.6
FII-Equity	80.6	41.6	122.2	(723.2)	6,482.9	(362.3)

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com