

MACRO DAILY

14 August 2019

Macro developments

- India's CPI slipped to 3.1% in Jul'19 from 3.2% in Jun'19. Sharp decline in fuel and light (LPG) prices was negated by higher food and core inflation. Higher food prices were driven by pulses and spices. Core inflation rose by 4.3% in Jul'19 vs 4.1% in Jun'19, led by transport and communication. With headline inflation expected to remain below RBI's trajectory of 4%, we believe there is room to cut rates to support growth.
- Auto sales in India fell to almost 2 decade low of (-) 18.7% in Jul'19 vs (-) 12.3% in Jun'19. Passenger vehicles registered the sharpest decline (-31% vs -17.5% in Jun'19) followed by CV sales (-25.7% vs -12.3%). While slowing consumption is a reason behind decline in sales, CV sales may have also been impacted by increased freight carrying capacity of trucks.
- Led by higher prices of gasoline (2.5% in Jul'19 vs -3.6% in Jun'19) and housing (0.3%), US CPI rose by 0.3% on a MoM basis in Jul'19 (0.1% in Jun'19). Core inflation too inched up by 0.3% for the same period. On an annualized basis, core inflation rose by 2.2% and headline inflation increased by 1.8% in Jul'19. While CPI inched up, it is still lower than Fed's target range and raises the likelihood of another rate cut in Sep'19 policy meet.

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Markets

- Bonds:** Global yields closed mixed amidst political turmoil in Hong Kong, currency woes in Argentina, and disappointing macro data in China. Crude prices however rose by 4.7% (US\$ 61/bbl) as optimism flickered with US delaying 10% tariff on some Chinese imports. India's 10Y yield rose by 3bps (6.53%) as newspaper reports indicate that government might consider fiscal stimulus to boost the economy. It is trading at 6.59% today.
- Currency:** Except AUD and CNY, other global currencies closed lower. DXY rose by 0.4% after trade tensions eased with the announcement of US delaying 10% tariffs Chinese products. INR fell by (-) 0.9%. However, it is trading higher today in line with other Asian currencies.
- Equity:** Global equity indices closed mixed. Dow rose by 1.4% as US decided to delay tariff on few Chinese imports. Shanghai Comp however declined by (-) 0.6% as tensions remained escalated in Hong Kong. Sensex also fell by (-) 1.7% dragged down by auto and banking stocks. 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
10Y yields (Δ bps)						
US	1.70	(4)	0	(42)	(71)	(120)
UK	0.49	1	(2)	(34)	(61)	(77)
Japan	(0.23)	(2)	(5)	(12)	(18)	(35)
Germany	(0.61)	(3)	(7)	(40)	(54)	(94)
India	6.53	3	19	4	(85)	(129)
China	3.01	(2)	(6)	(15)	(28)	(55)
2Y yields (Δ bps)						
US	1.67	8	8	(18)	(53)	(97)
UK	0.47	2	4	(13)	(25)	(25)
Japan	(0.28)	(2)	(6)	(10)	(12)	(17)
Germany	(0.87)	0	(6)	(16)	(24)	(24)
India	5.89	4	(4)	(29)	(80)	(161)
China	2.52	0	(3)	(7)	(9)	(27)
Currencies (Δ %)						
EUR	1.1171	(0.4)	(0.3)	(0.9)	(0.3)	(1.5)
GBP	1.2060	(0.1)	(0.9)	(4.1)	(6.5)	(5.2)
JPY	106.74	(1.4)	(0.3)	1.1	2.6	4.0
AUD	0.6799	0.7	0.6	(3.1)	(2.1)	(6.1)
INR	71.40	(0.9)	(0.8)	(4.0)	(1.3)	(2.1)
CNY	7.0434	0.2	(0.3)	(2.4)	(2.4)	(2.3)
Equity & Other indices (Δ %)						
DOW	26,280	1.4	1.0	(3.8)	2.9	3.9
FTSE	7,251	0.3	1.1	(3.4)	0.1	(4.7)
DAX	11,750	0.6	1.6	(4.7)	(2.0)	(4.9)
NIKKEI	20,455	(1.1)	(0.6)	(5.7)	(2.9)	(8.5)
Shanghai Comp	2,797	(0.6)	0.7	(4.5)	(3.0)	0.6
SENSEX	36,958	(1.7)	(0.1)	(4.6)	(1.0)	(2.4)
Brent (USD/bbl)	61.30	4.7	4.0	(8.1)	(14.0)	(15.4)
Gold (USD/oz)	1,502	(0.6)	1.8	6.1	15.8	25.7
CRB Index	397.4	(0.1)	(0.3)	(2.0)	(3.2)	(4.9)
Rogers Agri Index	693.1	(0.6)	(1.7)	(7.8)	(2.2)	(13.0)
LIBOR (3M)*	2.18	0	(3)	(15)	(35)	(14)
INR 5Yr Swap*	6.37	0	(5)	(22)	(63)	(110)
India FII data (US\$ mn)						
	9 Aug	8 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	11.8	72.2	178.2	163.7	2,817.7	2,273.0
FII-Equity	(105.8)	(150.4)	(900.5)	(1,485.9)	7,918.8	1,073.6

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

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