

## MACRO DAILY

15 October 2019

### Macro developments

- CPI inflation in India rose to a 14-month high at 4% in Sep'19 led by food inflation, particularly vegetable (15.4%) and meat and fish (10.3%). However, core inflation moderated to 4% from 4.3%, led by transport and communication. Given the seasonal/rain related reasons for spike in vegetable prices we believe food inflation will come-off. Thus RBI should look at propping growth with 25bps cut in Dec'19.
- WPI inflation eased to 0.3% in Sep'19 from 1.1% driven by lower fuel and power inflation at (-) 7.1%. Even manufactured product inflation fell to (-) 0.4% in Sep'19. Food inflation however rose marginally to 6% in Sep'19 from 5.8% led by higher onion prices. The macro backdrop fits in with lower than estimated WPI inflation as producer pricing power is limited.
- China's PPI fell by (-) 1.2% in Sep'19 vs (-) 0.8% in Aug'19. Apart from weak demand, this can also be attributed to softening prices of oil and raw materials and VAT cuts introduced w.e.f Apr'19. On the other hand, CPI rose by 3% in Sep'19 vs 2.8% in Sep'19. This was largely on account of 69.3% jump in pork prices, pushing food inflation up by 11.2% vs 10% last month. Core inflation remains muted at 1.5% vs 1.1% in Aug'19.

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### Markets

- Bonds:** Global yields closed mixed amidst a revival in Euro area industrial production and falling Chinese exports. Markets also await clarity on US-China trade deal and Brexit. Oil prices declined by (-) 1.9% to US\$ 59/bbl as demand concerns linger. India's 10Y yield fell by 5bps (6.68%). It is trading higher today at 6.7% as CPI print was higher than expected.
- Currency:** Barring CNY, other global currencies closed lower against the dollar. DXY edged higher by 0.2%, after depreciating for 2-straight sessions. GBP fell by (-) 0.5% on waning Brexit optimism. INR opened flat today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed on caution over US-China trade deal. Amongst other indices, FTSE (-0.5%) lost the most, followed by Dax (-0.2%). However, Asian markets ended in green. Sensex rose by 0.2% led by telecom and energy stocks. 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
<b>10Y yields (Δ bps)</b>						
US	1.73	0	17	(17)	(36)	(143)
UK	0.64	(7)	19	(13)	(16)	(97)
Japan	(0.18)	0	4	(3)	(7)	(32)
Germany	(0.46)	(2)	12	(1)	(21)	(96)
India <sup>^</sup>	6.68	(5)	0	4	25	(124)
China	3.16	1	2	8	(2)	(44)
<b>2Y yields (Δ bps)</b>						
US	1.59	0	13	(21)	(24)	(126)
UK	0.50	(4)	16	(7)	(7)	(31)
Japan	(0.29)	0	4	(5)	(11)	(18)
Germany	(0.70)	2	7	0	3	(14)
India	5.64	(4)	(2)	(8)	(52)	(201)
China <sup>#</sup>	2.57	0	1	(1)	(1)	(28)
<b>Currencies (Δ %)</b>						
EUR	1.1027	(0.1)	0.5	(0.4)	(2.1)	(4.8)
GBP	1.2608	(0.5)	2.6	0.9	0.7	(4.1)
JPY	108.40	(0.1)	(1.1)	(0.3)	(0.5)	3.0
AUD	0.6775	(0.3)	0.6	(1.5)	(3.8)	(5.0)
INR	71.23	(0.3)	(0.3)	(0.4)	(3.9)	3.5
CNY	7.0675	0.3	1.1	0.2	(2.8)	(2.2)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,787	(0.1)	1.2	(1.6)	(2.1)	6.1
FTSE	7,213	(0.5)	0.2	(2.1)	(4.2)	2.6
DAX	12,487	(0.2)	3.2	0.1	0.8	7.5
NIKKEI	21,799	1.1	1.8	(0.9)	0.5	(2.1)
Shanghai Comp	3,008	1.2	3.5	(0.8)	2.2	17.1
SENSEX	38,214	0.2	1.8	2.2	(1.8)	9.6
Brent (US\$/bbl)	59.35	(1.9)	1.7	(1.4)	(10.7)	(26.5)
Gold (US\$/oz)	1,493	0.3	0	0.3	5.6	21.7
CRB Index	391.7	0.1	1.8	1.9	(3.4)	(6.5)
Rogers Agri Index	726.2	0.1	2.2	3.7	(2.3)	(9.4)
LIBOR (3M)*	2.0	1	(3)	(14)	(30)	(45)
INR 5Y Swap*	6.4	0	11	9	(18)	(137)
<b>India FII data (US\$ mn)</b>						
	<b>11 Oct</b>	<b>10 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	169.0	(111.8)	20.4	38.0	4,011.4	3,466.8
FII-Equity	(80.0)	(11.2)	(239.1)	(735.9)	7,424.8	579.6

Source: Bloomberg, Bank of Baroda | <sup>^</sup>7.26% GS 2029 | \*Indicates change in bps | #1Y yield

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