

## MACRO DAILY

16 August 2019

### Macro developments

- RBI purchased US\$ 2.5bn in the spot market in Jun'19, same as in May'19. In the forwards market, RBI purchased US\$ 4.9bn compared with US\$ 0.2bn in May'19. In FYTD20, RBI has purchased US\$ 9.9bn in the spot market (vs US\$ 14.4bn sales last year) while it has purchased US\$ 0.4bn in the forwards market vs net sales of US\$ 10.2bn in FYTD19.
- US retail sales rose to its 4-month high of 0.7% in Jul'19 (est.: 0.2%) compared to 0.3% in Jun'19. This was driven by surge in online purchases. On the other hand, US industrial production declined by (-) 0.2% in Jul'19 vs +0.2% in Jun'19, led by sharp decline in mining & manufacturing sector. Capacity utilization fell to 77.5% in Jul'19, lowest since Oct'17. US jobless claims increased by 9,000 to 220,000 for the week ending 10 Aug 2019.
- Japan's industrial production fell by (-) 3.8% in Jun'19 on a YoY basis vs (-) 4.1% in May'19. The 5<sup>th</sup> consecutive decline was led by mining and manufacturing (-3.8% vs -2.1% in May'19). Within this, production of electronic products/machinery, general purpose machinery and motor vehicles fell the most.

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### Markets

- **Bonds:** Except Japan and China, which remained flat, global yields closed lower as fears of recession triggered a global sell-off. US 10Y yield fell by (-) 15bps (1.53%). Crude prices declined by (-) 2.1% (US\$ 58/bbl). India's 10Y yield rose by 11bps (6.63%) stoked by fears of a possible fiscal slippage by government to support growth. It is trading at 6.57% today.
- **Currency:** Global currencies closed mixed with EUR depreciating the most (-0.3%) and AUD appreciating the most (0.4%). DXY rose by 0.2%, supported by positive US retail sales data. INR opened lower today as investors worry about possibility of fiscal slippage. Asian currencies are trading mixed today.
- **Equity:** Global indices ended mixed driven by escalated worries over trade war and fears of recession in global economy. European indices ended in red after weaker GDP print from Germany. However, Dow recovered (0.4%) after a stronger retail sales data signalling some reassurance in the US economy. Sensex too rebounded (1%) but is trading lower today. Asian stocks on the other hand 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	1.53	(18)	(19)	(56)	(87)	(134)
UK	0.41	(9)	(11)	(39)	(67)	(83)
Japan	(0.23)	0	(4)	(12)	(17)	(34)
Germany	(0.71)	(10)	(15)	(46)	(62)	(103)
India	6.63	11	26	20	(75)	(123)
China	3.01	0	(4)	(17)	(25)	(60)
<b>2Y yields (Δ bps)</b>						
US	1.50	(8)	(12)	(33)	(70)	(112)
UK	0.45	(1)	(2)	(12)	(27)	(25)
Japan	(0.28)	(1)	(4)	(10)	(12)	(16)
Germany	(0.91)	(4)	(6)	(18)	(27)	(28)
India	5.84	(5)	(4)	(32)	(84)	(172)
China	2.52	0	(3)	(7)	(9)	(27)
<b>Currencies (Δ %)</b>						
EUR	1.1107	(0.3)	(0.7)	(1.3)	(0.6)	(2.4)
GBP	1.2088	0.2	(0.4)	(3.4)	(5.5)	(4.9)
JPY	106.12	(0.2)	0	1.7	3.4	4.3
AUD	0.6775	0.4	(0.4)	(3.8)	(1.7)	(6.7)
INR	71.27	0.2	(0.5)	(4.0)	(1.8)	(1.6)
CNY	7.0340	(0.1)	0.2	(2.3)	(2.2)	(2.2)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,579	0.4	(3.0)	(6.5)	(1.1)	0.1
FTSE	7,067	(1.1)	(3.0)	(6.2)	(3.9)	(6.5)
DAX	11,413	(0.7)	(3.7)	(7.9)	(7.3)	(6.7)
NIKKEI	20,406	(1.2)	(0.9)	(5.2)	(3.1)	(8.0)
Shanghai Comp	2,816	0.2	0.8	(4.3)	(4.7)	4.1
SENSEX	37,312	1.0	1.7	(4.1)	(0.2)	(0.9)
Brent (USD/bbl)	58.23	(2.1)	1.5	(12.4)	(19.8)	(18.5)
Gold (USD/oz)	1,523	0.5	1.5	7.7	18.4	29.7
CRB Index	397.9	0.1	(0.7)	(1.8)	(3.9)	(3.9)
Rogers Agri Index	689.9	(0.2)	(3.2)	(7.2)	(3.8)	(13.8)
LIBOR (3M)*	2.17	1	(2)	(13)	(35)	(15)
INR 5Yr Swap*	6.36	0	8	(22)	(67)	(112)
<b>India FII data (US\$ mn)</b>						
	<b>13 Aug</b>	<b>9 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(54.1)	11.8	(54.1)	109.7	2,763.6	2,219.0
FII-Equity	(78.6)	(105.8)	(78.6)	(1,564.5)	7,840.1	994.9

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | \*\* Refers to data as on 14.08.2019 for India

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