

MACRO DAILY

16 July 2019

Macro developments

- India's export growth fell sharply by (-) 9.7% in Jun'19 from 3.9% in May'19, lowest since Jan'16. Barring drugs and pharmaceuticals, exports declined under all segments. Imports too declined by (-) 9.1% in Jun'19, a 41-month low, vs 4.3% in May'19, led by pearls and precious metals (-23.6% in Jun'19) and oil (-13.3%). However, trade deficit remained broadly stable at US\$ 15.3bn in Jun'19. Even in Q1FY20, trade deficit is stable at US\$ 46bn compared with US\$ 45.2bn last year.
- WPI inflation eased to 2% in Jun'19 from 2.5% in May'19 led by dip in fuel and power and manufactured inflation. Food inflation was at 5% in Jun'19. Pick up in monsoon augurs well for kharif sowing. However, lag in sowing for some crops implies food inflation will remain relatively high. On the other hand, global and domestic slowdown implies inflation will remain moderate.
- Indonesia's exports fell more than expected by (-) 9% in Jun'19 (est: -6.8%) vs (-) 8.5% in May'19 on YoY basis, led by non-oil and gas exports. Imports on the other hand, grew by 2.8% in Jun'19 vs (-) 17.3% in May'19. Thus, trade surplus declined from US\$ 219mn in May'19 to US\$ 196mn in Jun'19.

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Markets

- Bonds:** Global yields closed mixed driven by varied signals from China's latest macro data prints. US 10Y yield fell by 3bps (2.09%) ahead of the release of US retail sales data. Crude prices declined by (-) 0.4% (US\$ 66/bbl) as production facilities in the Gulf of Mexico returned to operation. India's 10Y yield fell by 5bps (6.43%) on account of muted WPI print. It was trading further lower at 6.41% today.
- Currency:** Global currencies ended mixed. DXY rose by 0.1%. GBP depreciated by (-) 0.4% and was near 6-month low amidst worries over Brexit. INR rose by 0.2% on the back of lower oil prices. It is trading lower today. However, other Asian currencies are trading higher.
- Equity:** Global indices ended the day higher as market expectation of a rate cut in Jul'19 rose on the back of Fed Chair's dovish remarks. Dow was up by 0.1% ahead of the earnings season. Sensex too closed in green supported by DII inflow of Rs 5.9bn. However, it is trading lower today. Asian stocks on the other hand are trading mixed as RBA minutes showed further adjustment in rates may be forthcoming.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.09	(3)	4	1	(47)	(77)
UK	0.80	(3)	9	(5)	(42)	(48)
Japan	(0.11)	0	3	2	(9)	(15)
Germany	(0.25)	(4)	12	0	(31)	(61)
India	6.43	(5)	(13)	(49)	(96)	(137)
China	3.19	3	0	(8)	(19)	(31)
2Y yields (Δ bps)						
US	1.83	(2)	(6)	(1)	(56)	(77)
UK	0.57	(2)	2	(3)	(22)	(17)
Japan	(0.18)	0	2	2	(2)	(5)
Germany	(0.73)	(2)	1	(4)	(18)	(11)
India	6.16	(2)	3	(6)	(52)	(139)
China	2.58	1	0	5	9	(46)
Currencies (Δ %)						
EUR	1.1258	(0.1)	0.4	0.4	(0.4)	(3.9)
GBP	1.2516	(0.4)	0	(0.6)	(4.5)	(5.4)
JPY	107.91	0	0.7	0.6	3.7	3.9
AUD	0.7039	0.3	1.0	2.4	(1.9)	(5.1)
INR	68.55	0.2	0.2	1.8	1.3	0
CNY	6.8778	0	0.1	0.7	(2.5)	(2.8)
Equity & Other indices (Δ %)						
DOW	27,359	0.1	2.1	4.9	3.7	9.2
FTSE	7,532	0.3	(0.2)	2.5	1.3	(0.9)
DAX	12,387	0.5	(1.2)	2.4	3.1	(1.4)
NIKKEI	21,686	0.2	(0.3)	2.6	(2.2)	(4.0)
Shanghai Comp	2,942	0.4	0.3	2.1	(7.4)	4.6
SENSEX	38,897	0.4	0.5	(1.4)	0	7.1
Brent (USD/bbl)	66.48	(0.4)	3.7	7.2	(6.6)	(7.5)
Gold (USD/oz)	1,414	(0.1)	1.3	5.4	9.8	14.0
CRB Index	405.4	(0.1)	0.2	(1.6)	(4.7)	(6.4)
Rogers Agri Index	743.6	(1.0)	(0.2)	(2.7)	(0.7)	(5.4)
LIBOR (3M)*	2.32	2	1	(11)	(27)	(1)
INR 5Yr Swap*	6.58	0	7	(21)	(11)	(114)
India FII data (US\$ mn)						
	12 Jul	11 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	95.1	87.9	574.4	1,060.6	2,488.8	1,944.2
FII-Equity	(105.3)	(25.9)	(373.9)	(742.2)	10,596.7	3,751.5

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

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