

MACRO DAILY

16 October 2019

Macro developments

- IMF has slashed India's growth forecast downward by 90bps to 6.1% in FY20. This was in line with muted global growth (revised downward by 20bps to 3% in CY19), subdued domestic demand and financial woes of NBFCs. However, growth is expected to pick up to 7% in FY21 supported by government's recent corporate tax cut, rural consumption support programme and lagged impact of monetary transmission.
- India's trade deficit narrowed to US\$ 10.9bn in Sep'19 vs US\$ 13.5bn in Aug'19. Exports fell again, by (-) 6.6% led by oil and gems & jewellery. Imports too contracted further (-13.9%). Despite onset of festive season, gold imports fell by (-) 50.8% due to higher prices. Non-oil-non-gold imports also fell by (-) 8.9%. Given muted global and domestic growth backdrop, we expect trade deficit to ease in FY20 and thus support INR.
- Germany's investor economic sentiment index (ZEW) declined marginally to (-) 22.8 in Oct'19 from (-) 22.5 in Sep'19 (est. -29.2). In addition, industrial production rose by 0.3% in Aug'19, raising hopes that the country might not fall into recession. However, uncertainty around Brexit and trade deal continue to remain a concern.

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Markets

- Bonds:** Except India and China, global yields closed higher as EU negotiators said Brexit deal might be possible. UK 10Y yield rose the most (6bps) followed by US (4bps). Oil prices declined by (-) 1% to US\$ 59/bbl as trade war fears persisted and US imposed sanctions on Turkey. India's 10Y yield fell by 1bps (6.67%) supported by buying from foreign banks and MFs. It is however trading flat today.
- Currency:** Apart from EUR and GBP, other global currencies closed lower. GBP rose by 1.4% to its highest since May'19 on reports that the Brexit deal might be finalised soon. DXY ended lower by (-) 0.2%. INR is trading lower today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices closed higher. While hopes of positive development around Brexit supported equity gains, China's macro data remained a drag. Sensex rose by 0.8%, supported by earning results. 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	1.77	4	24	(12)	(33)	(139)
UK	0.69	6	28	(7)	(13)	(92)
Japan	(0.17)	1	3	(2)	(5)	(32)
Germany	(0.42)	4	18	3	(17)	(91)
India^	6.67	(1)	(1)	3	34	(120)
China	3.17	0	6	8	(1)	(42)
2Y yields (Δ bps)						
US	1.62	3	20	(18)	(23)	(125)
UK	0.53	3	21	(4)	(6)	(29)
Japan	(0.28)	2	4	(4)	(9)	(16)
Germany	(0.69)	2	10	2	5	(12)
India	5.61	(3)	(5)	(10)	(50)	(200)
China#	2.56	(1)	0	(3)	(2)	(29)
Currencies (Δ %)						
EUR	1.1033	0.1	0.7	(0.4)	(1.6)	(4.7)
GBP	1.2787	1.4	4.6	2.3	3.1	(3.0)
JPY	108.86	(0.4)	(1.7)	(0.7)	(0.6)	3.0
AUD	0.6753	(0.3)	0.4	(1.8)	(3.7)	(5.4)
INR	71.54	(0.4)	(0.7)	(0.9)	(4.1)	2.6
CNY	7.0817	(0.2)	0.9	0	(3.0)	(2.5)
Equity & Other indices (Δ %)						
Dow	27,025	0.9	3.3	(0.7)	(1.1)	4.8
FTSE	7,212	0	1.0	(2.1)	(4.8)	2.2
DAX	12,630	1.1	5.5	1.3	1.6	7.2
NIKKEI	22,207	1.9	2.9	1.0	3.1	(1.5)
Shanghai Comp	2,991	(0.6)	2.7	(1.3)	1.8	17.5
SENSEX	38,506	0.8	2.6	3.0	(1.6)	9.5
Brent (US\$/bbl)	58.74	(1.0)	0.9	(2.5)	(8.7)	(27.8)
Gold (US\$/oz)	1,481	(0.8)	(1.6)	(0.5)	5.3	20.9
CRB Index	392.4	0.2	1.7	2.0	(3.0)	(6.3)
Rogers Agri Index	726.5	0	1.5	3.7	(1.5)	(9.1)
LIBOR (3M)*	2.0	0	(1)	(14)	(30)	(44)
INR 5Y Swap*	6.5	6	17	15	(4)	(123)
India FII data (US\$ mn)						
	14 Oct	11 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	(8.0)	169.0	(8.0)	30.1	4,003.5	3,458.8
FII-Equity	866.4	(80.0)	866.4	130.5	8,291.2	1,446.0

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

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