

MACRO DAILY

16 September 2019

Macro developments

- FM has announced measures to boost housing demand which includes relaxation of ECB guidelines for PMAY, in consultation with RBI. Interest rate on house building advance given to government employees shall also be linked with 10Y G-Sec yield, for better transmission. Special window shall be provided for last mile financing of non-NPA and non-NCLT projects in affordable and middle income housing category.
- In order to boost exports, government has announced a slew of measures for exporters. 1) Remission of Duties or Taxes on Export Product (RoDTEP) to replace the existing MEIS, 2) implementation of a fully electronic GST refund system to expedite returns, 3) premium incidence for MSMEs has been lowered, and 4) priority sector lending norms for export credit to be re-examined which will release an additional Rs 360-680bn as export credit.
- China's industrial output growth slowed to 17.5 year low of 4.4% in Aug'19 vs 4.8% in Jul'19. Retail sales growth also slowed to 7.5% (est.: 7.9%) from 7.6% in Jul'19. Similar weakness was visible in FAI growth which slipped to 5.5% in Jan-Aug'19 vs 5.7% in Jan-Jul'19. The drag was led by private sector investment which rose by 4.9% vs 5.4% in the same period.

Dipanwita Mazumdar | Sameer Narang
 chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except India, global yields closed higher with hints of progress in US-China trade dispute. US 10Y yield rose by 12bps (1.9%) driven by positive retail sales print. India's 10Y yield fell by (-) 3bps (6.64%). It is trading higher at 6.7% today, as crude is trading higher at US\$ 66/bbl (vs US\$ 60/bbl on previous day) due to attack on Saudi Arabia's oil plant.
- **Currency:** Except JPY which closed flat, other global currencies closed higher. EUR rose by 0.1% on the back of stimulus measures announced by ECB. INR also appreciated by 0.3%. It is however trading lower today as oil prices spiked by over 10%. Other Asian currencies are also trading lower.
- **Equity:** Led by optimism over US-China trade deal and ECB's stimulus, global indices closed higher. Nikkei (1.1%) surged the most followed by Sensex (0.8%). The gains in Sensex was supported by DII inflow of Rs 2.1bn. Sensex is trading lower today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.90	12	34	19	(18)	(110)
UK	0.76	9	26	27	(9)	(77)
Japan	(0.15)	6	8	8	(2)	(27)
Germany	(0.45)	7	19	16	(19)	(90)
India	6.64	(3)	4	11	(28)	(149)
China	3.09	3	8	8	(18)	(59)
2Y yields (Δ bps)						
US	1.80	8	26	13	(4)	(98)
UK	0.57	3	18	11	(4)	(24)
Japan	(0.24)	3	5	4	(4)	(14)
Germany	(0.71)	2	16	17	(1)	(17)
India	5.72	0	1	(18)	(50)	(226)
China#	2.58	0	(1)	0	6	(26)
Currencies (Δ %)						
EUR	1.1073	0.1	0.4	(0.9)	(1.2)	(4.7)
GBP	1.2501	1.3	1.8	3.7	(0.7)	(4.3)
JPY	108.09	0	(1.1)	(1.3)	0.4	3.5
AUD	0.6879	0.2	0.5	1.2	0.1	(3.8)
INR	70.93	0.3	1.1	0.7	(1.6)	1.3
CNY	7.0793	0.5	0.5	(0.5)	(2.2)	(3.1)
Equity & Other indices (Δ %)						
Dow	27,220	0.1	1.6	3.6	4.3	4.1
FTSE	7,367	0.3	1.2	1.6	0.3	0.9
DAX	12,469	0.5	2.3	6.1	3.1	2.8
NIKKEI	21,988	1.1	3.7	7.5	4.1	(4.8)
Shanghai Comp	3,031	0.7	1.1	8.4	5.2	13.0
SENSEX	37,385	0.8	1.1	1.2	(5.2)	(1.9)
Brent (US\$/bbl)	60.22	(0.3)	(2.1)	(1.8)	(2.9)	(22.9)
Gold (US\$/oz)	1,489	(0.7)	(1.2)	(0.9)	10.9	24.6
CRB Index	384.6	0	(0.6)	(3.2)	(6.7)	(5.9)
Rogers Agri Index	700.3	0.4	3.8	1.0	(8.4)	(9.0)
LIBOR (3M)*	2.14	2	1	(2)	(26)	(20)
INR 5Y Swap*	6.31	5	21	(6)	(48)	(140)
India FII data (US\$ mn)						
	12 Sep	11 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	13.5	(19.6)	31.9	455.6	4,702.8	4,158.1
FII-Equity	365.9	80.6	488.1	(357.3)	6,848.8	3.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com