

MACRO DAILY

17 July 2019

Macro developments

- Despite below normal monsoon in 2018, India's foodgrain production was a record high at 142.75 mn tn for kharif. ICAR expect the same trend to continue in 2019. This comes amidst delayed and deficient monsoon till date and sown area falling by (-) 9% this year (as on 12 Jul 2019) compared with (-) 11% last year. However, with IMD expecting near-normal monsoon, shortage in sown area is expected to recover in coming months.
- Retail sales in the US rose more than anticipated by 0.4% (est.:0.2%) in Jun'19 on MoM basis, unchanged from May'19. Core retail sales (excl. motor vehicles and gasoline), a broad gauge for consumer spending also rose by 0.7% in Jun'19 vs 0.5% in May'19. In a separate print, industrial production remained flat in Jun'19 vs increase of 0.4% in May'19.
- Germany's ZEW economic sentiment indicator declined to (-) 24.5 in Jul'19 vs (-) 21.1 in Jun'19 (est.: -21.5) led by a continued fall in incoming orders. The current situations indicator also fell to (-) 1.1, lowest since Jan'10. Apart from the ongoing US-China trade war, Iran conflict and uncertainty around Brexit have impacted German exports and growth.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yield inched up by 1bps (2.1%) driven by upbeat retail sales data. Crude prices declined by (-) 3.2% (US\$ 64/bbl) over reports that US-Iran conflict might cool off. India's 10Y yield fell the most by 10bps (6.33%), lowest since 6 Dec 2016 as rate cut hopes by RBI escalated amidst muted global and domestic growth. It is also trading lower at 6.32% today.
- **Currency:** Except CNY, other global currencies closed lower against US\$. DXY rose by 0.5% as US retail sales data surprised positively. GBP depreciated by (-) 0.9% to its lowest in 27-months on growing concerns over a no-deal Brexit. INR depreciated by (-) 0.2%. It is trading further lower today, in line with other Asian currencies.
- **Equity:** Global indices closed mixed with Nikkei and Shanghai Comp slipping the most. Dow too ended in red (-0.1%). President Trump's threat to impose tariffs on US\$ 325bn worth of Chinese imports made investors anxious. Earnings results on the other hand supported European markets. Asian markets are trading lower today, while Sensex is trading flat.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.10	1	4	1	(49)	(76)
UK	0.82	2	10	(1)	(40)	(44)
Japan	(0.12)	0	2	(1)	(10)	(16)
Germany	(0.24)	1	11	0	(31)	(59)
India	6.33	(10)	(26)	(68)	(106)	(141)
China	3.18	(1)	1	(10)	(22)	(31)
2Y yields (Δ bps)						
US	1.85	2	(6)	1	(56)	(77)
UK	0.59	1	3	0	(21)	(16)
Japan	(0.18)	0	1	1	(4)	(6)
Germany	(0.73)	0	0	(6)	(17)	(11)
India	6.11	(4)	(4)	(17)	(57)	(142)
China	2.58	0	(1)	5	6	(46)
Currencies (Δ %)						
EUR	1.1211	(0.4)	0	(0.6)	(0.6)	(3.9)
GBP	1.2407	(0.9)	(0.5)	(2.1)	(4.9)	(5.4)
JPY	108.24	(0.3)	0.6	0.1	3.4	4.1
AUD	0.7012	(0.4)	1.2	1.4	(2.3)	(5.1)
INR	68.71	(0.2)	(0.2)	1.2	1.3	(0.4)
CNY	6.8763	0	0.2	0.7	(2.4)	(2.5)
Equity & Other indices (Δ %)						
DOW	27,336	(0.1)	2.1	4.7	3.3	8.8
FTSE	7,577	0.6	0.5	2.8	1.4	(0.6)
DAX	12,431	0.4	0	2.2	2.7	(1.8)
NIKKEI	21,535	(0.7)	(0.1)	2.4	(3.1)	(5.1)
Shanghai Comp	2,938	(0.2)	0.3	0.9	(9.7)	5.0
SENSEX	39,131	0.6	1.0	(1.5)	(0.4)	7.1
Brent (USD/bbl)	64.35	(3.2)	0.3	5.0	(10.3)	(10.8)
Gold (USD/oz)	1,406	(0.6)	0.6	4.8	10.1	14.6
CRB Index	404.5	(0.2)	0.7	(2.1)	(4.8)	(6.5)
Rogers Agri Index	737.5	(0.8)	(0.2)	(3.3)	(0.8)	(6.6)
LIBOR (3M)*	2.30	0	(4)	(11)	(30)	(4)
INR 5Yr Swap*	6.49	(9)	2	(29)	(21)	(119)
India FII data (US\$ mn)						
	15 Jul	12 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	153.0	95.1	153.0	1,213.5	2,641.8	2,097.2
FII-Equity	(27.7)	(105.3)	(27.7)	(769.9)	10,569.0	3,723.8

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

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