

## MACRO DAILY

17 October 2019

### Macro developments

- India's fuel demand in H1FY20 eased to 1.7% vs 3.8% in H1FY19. It is also lower than 2.9% increase seen in H2FY19. In Sep'19 alone, fuel demand fell by (-) 0.1% vs 4.1% in Aug'19, driven by industrial fuel (-17.5%) and diesel (-3.3%). On a quarterly basis too, demand for diesel remained low (-0.2% vs 2.2% in Jun'19), followed by petrol (8.1% vs 10.1% in Jun'19).
- Retail sales in the US fell for the first time in 7-months by (-) 0.3% on MoM basis in Sep'19 (est.: +0.3%), vs 0.6% increase in Aug'19. This was led by muted spending on building materials, online purchases and automobiles. Strain on consumption demand and inflation below 2% target may prompt Fed to cut rates further in the coming policy meet.
- Bank of Korea reduced its policy rates for the 2nd time in CYTD19 by 25bps to 1.25%. It also expects GDP growth in CY19 to be weaker than estimated (2.2%). IMF has also cut Korea's GDP forecast from 2.6% to 2% for CY19. Korea's exports have been contracting throughout CYTD19 and deflationary risks have resurfaced with CPI falling by (-) 0.4% in Sep'19—a first in 10 years. As a result, another rate cut is expected by early next year.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 3bps over muted retail sales print. Developments over Brexit and concerns of growth slowdown as reflected in South Korea's latest policy also impacted investor sentiments. Oil prices rose by 1.2% (US\$ 59/bbl) on hopes of supply cut by OPEC. India's 10Y yield fell by 1bps (6.66%). It is trading at 6.65% today.
- Currency:** Except CNY, other global currencies closed higher. DXY fell by (-) 0.3% as US retail sales were weaker than expected. Both EUR and GBP rose by 0.4% ahead of the crucial EU summit. Tracking other Asian currencies, INR is trading marginally higher today.
- Equity:** Global indices ended mixed led by disappointing US retail sales, earnings data and concerns over US-China trade deal. FTSE (-0.6%) dropped the most, followed by Shanghai Comp (-0.4%). However, Nikkei advanced to a 10-month high. Sensex (0.2%) continued its winning streak supported by DII inflows of Rs 15.7bn. It is trading higher today, while Asian stocks 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	1.74	(3)	16	(11)	(31)	(147)
UK	0.71	2	25	2	(5)	(86)
Japan	(0.16)	1	4	(1)	(4)	(31)
Germany	(0.39)	3	16	9	(10)	(85)
India <sup>^</sup>	6.66	(1)	0	(6)	32	(125)
China	3.17	0	4	7	(1)	(42)
<b>2Y yields (Δ bps)</b>						
US	1.58	(3)	12	(18)	(23)	(131)
UK	0.56	3	19	4	2	(24)
Japan	(0.26)	2	5	(2)	(7)	(15)
Germany	(0.68)	1	8	5	8	(10)
India	5.60	(1)	(5)	(17)	(50)	(208)
China <sup>#</sup>	2.56	0	(2)	(3)	(2)	(31)
<b>Currencies (Δ %)</b>						
EUR	1.1072	0.4	0.9	0.6	(1.4)	(3.7)
GBP	1.2832	0.4	5.1	3.2	3.2	(2.2)
JPY	108.76	0.1	(1.2)	(0.6)	(0.8)	3.5
AUD	0.6759	0.1	0.5	(1.5)	(3.6)	(4.9)
INR	71.44	0.1	(0.5)	0.2	(3.8)	3.0
CNY	7.0933	(0.2)	0.5	(0.4)	(3.2)	(2.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,002	(0.1)	2.5	(0.3)	(0.8)	5.0
FTSE	7,168	(0.6)	0.0	(2.1)	(4.9)	1.6
DAX	12,670	0.3	4.8	2.3	2.7	8.2
NIKKEI	22,473	1.2	4.7	2.1	4.7	(1.6)
Shanghai Comp	2,979	(0.4)	1.8	(1.7)	1.6	16.3
SENSEX	38,599	0.2	1.1	4.0	(1.6)	11.0
Brent (US\$/bbl)	59.42	1.2	1.9	(13.9)	(6.7)	(25.8)
Gold (US\$/oz)	1,490	0.6	(1.0)	(0.6)	4.5	21.9
CRB Index	393.2	0.2	1.5	1.7	(2.8)	(5.9)
Rogers Agri Index	727.3	0.1	1.4	3.0	(1.3)	(8.8)
LIBOR (3M)*	2.0	0	2	(14)	(30)	(45)
INR 5Y Swap*	6.5	1	21	6	1	(125)
<b>India FII data (US\$ mn)</b>						
	<b>15 Oct</b>	<b>14 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(62.8)	(8.0)	(70.8)	(32.8)	3,940.6	3,396.0
FII-Equity	304.2	866.4	1,170.6	434.7	8,595.4	1,750.2

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

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)