

MACRO DAILY

17 September 2019

Macro developments

- India's WPI inflation remained unchanged at 1.1% in Aug'19. Food inflation rose to 5.8% in Aug'19 (4.5% in Jul'19), and its effect on headline WPI was offset by dip in fuel and power inflation at (-) 4% and lower manufactured product inflation. With recent pick-up in monsoon, food inflation is likely to ebb in the coming months. However, recent jump in oil prices if sustained will pose a risk to inflation going ahead.
- China's new home prices rose by 0.5% in Aug'19 on a MoM basis vs 0.6% in Jul'19. The dip was mainly seen in tier-2 cities where price growth slowed to 0.5% from 0.7% in Jul'19. In tier-1 & 3 cities, growth remained unchanged from the previous month at 0.3% and 0.7% respectively. Prices are unlikely to see a huge jump in the coming months as government has clarified that it will not use real estate market for short-term stimulus.
- Indonesia's exports fell by (-) 10% in Aug'19 vs est.: (-) 6% and (-) 5.1% in Jul'19. The drag was mainly on account of lower commodity prices due to subdued global demand. As a result, exports of coal, rubber and palm oil were effected the most. Imports too plunged by (-) 15.6% in Aug'19 vs est.: (-) 12.9%, led by lower imports of electronics, plastic and oil & gas.

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Markets

- Bonds:** Global yields closed mixed amidst rising energy prices, progress in US-Japan trade agreement and muted macro prints in China. US 10Y yield fell by (-) 5bps (1.85%) as drone strike in Saudi Arabia lifted demand for safer assets. India's 10Y yield rose by 8bps (6.72%) as crude prices rose by 14.6% (US\$ 69/bbl). It is trading flat today.
- Currency:** Except JPY (flat) and CNY (+0.2%), other global currencies closed lower against the dollar. This was in response to a 14.6% rise in oil prices after drone strikes on Saudi Arabia's oil stockpiles. INR depreciated by (-) 0.9%. It is trading even lower today in line with Asian currencies.
- Equity:** Barring Shanghai Comp, global indices started the week lower led by concerns over spike in oil prices due to supply side issues. European indices ended in red, followed by Dow (-0.5%). Sensex too closed lower led by subdued global cues. It 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	1.85	(5)	20	29	(25)	(114)
UK	0.69	(7)	10	23	(16)	(84)
Japan	(0.15)	0	10	8	(3)	(27)
Germany	(0.48)	(3)	11	21	(24)	(94)
India	6.72	8	14	17	(22)	(138)
China	3.09	0	6	7	(15)	(57)
2Y yields (Δ bps)						
US	1.76	(4)	17	28	(11)	(102)
UK	0.52	(5)	9	0	(9)	(30)
Japan	(0.24)	0	7	3	(5)	(14)
Germany	(0.73)	(2)	13	19	(4)	(20)
India	5.76	5	5	(11)	(48)	(227)
China#	2.58	0	(1)	0	6	(26)
Currencies (Δ %)						
EUR	1.1001	(0.7)	(0.4)	(0.8)	(1.9)	(5.8)
GBP	1.2431	(0.6)	0.7	2.3	(0.8)	(5.5)
JPY	108.12	0	(0.8)	(1.6)	0.4	3.3
AUD	0.6865	(0.2)	0	1.3	0.2	(4.4)
INR	71.60	(0.9)	0.2	(0.6)	(2.4)	1.3
CNY	7.0673	0.2	0.8	(0.3)	(2.0)	(3.1)
Equity & Other indices (Δ %)						
Dow	27,077	(0.5)	0.9	4.6	3.7	3.9
FTSE	7,321	(0.6)	1.2	2.9	(0.5)	0.3
DAX	12,380	(0.7)	1.3	7.1	2.4	2.3
NIKKEI**	21,988	1.1	3.1	7.7	4.1	(4.8)
Shanghai Comp	3,031	0	0.2	7.3	5.0	14.3
SENSEX	37,123	(0.7)	(0.1)	(0.6)	(4.7)	(1.2)
Brent (US\$/bbl)	69.02	14.6	10.3	17.7	13.3	(11.6)
Gold (US\$/oz)	1,498	0.7	0	(1.0)	11.9	24.7
CRB Index	386.4	0.5	0.6	(3.0)	(6.3)	(5.9)
Rogers Agri Index	706.1	0.8	4.5	1.7	(8.2)	(7.5)
LIBOR (3M)*	2.14	2	0	0	(28)	(20)
INR 5Y Swap*	6.41	10	32	12	(36)	(131)
India FII data (US\$ mn)						
	13 Sep	12 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(49.4)	13.5	(17.5)	406.2	4,653.4	4,108.7
FII-Equity	(56.0)	365.9	432.1	(413.2)	6,792.8	(52.4)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield | ** NIKKEI was closed on 16.09.19

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