

MACRO DAILY

18 October 2019

Macro developments

- As per news reports, domestic air passenger traffic growth moderated to 1.2% in Sep'19 compared with 3.9% in Aug '19, on a YoY basis. This has been in the wake of overall slowdown in demand. The disappointing print has pushed DGCA's growth projection downwards to 4-6% for 2019. Domestic air traffic consisted of 11.8mn passengers in Sep'19 compared with 11.4mn passengers in Sep'18.
- Amidst fears of slowdown, US industrial production contracted by (-) 0.4% in Sep'19 from 0.8% in Aug'19. This was led by weakness in manufacturing (-5%) and mining output (-1.3%). In addition, nationwide strike at General Motors plants as well as lower oil output also added to growing woes. Even capacity utilization dropped to 77.5%, lower than its long period average.
- China's Q3CY19 GDP growth eased to 6% from 6.2% in Q2 and est.: 6.1%, mainly dragged by manufacturing and exports. On CYTD basis, growth has averaged 6.3% vs 6.7% in CYTD18. Between Jan-Sep'19 FAI growth slowed to 5.4% vs 5.5% in Jan-Aug'19, owing to slowdown in private FAI (4.7% vs 4.9% in Jan-Aug'19). However, both industrial production (5.8% in Sep'19 vs 4.4% in Aug'19) and retail sales (7.8% vs 7.5% in Aug'19) have shown improvement in the last month of Q3.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed amidst disappointing macro data in US and developments over Brexit. US 10Y yield rose by 1bps (1.75%), while UK 10Y yield fell by 4bps (0.68%). Oil prices increased by 0.8% (US\$ 60/bbl). India's 10Y yield rose by 5bps (6.71%) amidst anticipation of fiscal stimulus. It is trading at 6.7% today ahead of release of MPC minutes.
- Currency:** Global currencies closed higher on the back of a weaker dollar. DXY fell by (-) 0.4% as US industrial production declined. EUR and GBP rose by 0.5% after EU and UK agreed on the Brexit deal. INR is trading flat today, while other Asian currencies are trading higher.
- Equity:** Barring Dax and Nikkei, other global indices closed higher boosted by the new Brexit proposal. Amongst other indices, Sensex (1.2%) surged the most, with midcaps outperforming other sub-indices. It is trading further higher 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	1.75	1	8	(9)	(27)	(143)
UK	0.68	(4)	9	(2)	(8)	(86)
Japan	(0.15)	1	5	0	(2)	(30)
Germany	(0.41)	(2)	6	7	(10)	(82)
India [^]	6.71	5	2	(1)	32	(120)
China	3.16	0	3	7	0	(40)
2Y yields (Δ bps)						
US	1.60	2	6	(16)	(16)	(127)
UK	0.51	(5)	4	(2)	(3)	(26)
Japan	(0.25)	1	6	(1)	(5)	(13)
Germany	(0.67)	1	4	6	8	(5)
India	5.59	(1)	(7)	(17)	(48)	(208)
China [#]	2.56	0	0	(3)	(2)	(32)
Currencies (Δ %)						
EUR	1.1125	0.5	1.1	1.1	(1.3)	(2.9)
GBP	1.2891	0.5	3.6	3.7	2.7	(1.0)
JPY	108.66	0.1	(0.6)	(0.5)	(1.3)	3.2
AUD	0.6824	1.0	0.9	(0.6)	(3.5)	(3.9)
INR	71.17	0.4	(0.1)	0.6	(3.2)	3.3
CNY	7.0775	0.2	0.5	(0.1)	(2.9)	(2.0)
Equity & Other indices (Δ %)						
Dow	27,026	0.1	2.0	(0.2)	(0.7)	6.5
FTSE	7,182	0.2	(0.1)	(1.9)	(4.1)	2.2
DAX	12,655	(0.1)	4.0	2.2	3.5	9.2
NIKKEI	22,452	(0.1)	4.2	2.0	6.7	(0.9)
Shanghai Comp	2,977	0	1.0	(1.8)	2.6	19.7
SENSEX	39,052	1.2	3.1	5.2	0.4	12.3
Brent (US\$/bbl)	59.91	0.8	1.4	(13.2)	(3.3)	(24.4)
Gold (US\$/oz)	1,492	0.1	(0.1)	(0.4)	3.2	21.7
CRB Index	394.5	0.3	1.7	2.1	(2.3)	(5.2)
Rogers Agri Index	730.4	0.4	2.7	3.4	0	(7.5)
LIBOR (3M)*	2.0	0	2	(14)	(27)	(47)
INR 5Y Swap*	6.47	0	10	6	1	(125)
India FII data (US\$ mn)						
	16 Oct	15 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	53.8	(62.8)	(17.0)	21.0	3,994.4	3,449.8
FII-Equity	125.4	304.2	1,296.0	560.1	8,720.8	1,875.6

Source: Bloomberg, Bank of Baroda | [^]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



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com