

MACRO DAILY

18 September 2019

Macro developments

- According to news reports, government is expected to increase the allocation of subsidised foodgrain by additional 2kg from the current 5kg of grains provided each month, under NFSA. This will enable the government to offload excess grains, solving the storage issues due to record production, ahead of the upcoming procurement season. The government is already managing an excess pile of stock at 71.1mn tn of foodgrains against the minimum requirement of 30.7mn tn.
- US industrial production rebounds at a much faster pace than anticipated (est.: 0.2%) at 0.6% in Aug'19 on a MoM basis from (-) 0.1% in Jul'19. This was driven by jump in manufacturing and mining output at 0.5% and 1.4% respectively in Aug'19. Capacity utilization too rose to 75.7% in Aug'19 from 75.4% in Jul'19, higher than its long run average by 2.6% points.
- Germany's ZEW economic expectation index for Sep'19 came in at (-) 22.5 vs (-) 44.1 in Aug'19. While the index continues to reflect pessimism, the +21.6 jump was mainly led by de-escalation of trade tension between US and China. Additionally, ECB stimulus and hopes that a no-deal Brexit can be avoided also helped pacifying recession fears.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by (-) 5bps ahead of the Fed policy meet. Oil prices declined by (-) 6.5% to US\$ 65/bbl after Saudi Arabia clarified that it has restored its oil supply. India's 10Y yield rose by 2bps (6.73%). It is however trading lower today at 6.68% as oil prices have eased further.
- Currency:** Global currencies closed mixed. DXY fell by (-) 0.4% ahead of an expected rate cut by the Fed. EUR rose by 0.7% as German consumer confidence improved in Sep'19. INR fell by (-) 0.3%. It is however trading higher today as oil prices eased. Asian currencies are trading mixed.
- Equity:** Barring Dow and Nikkei, other global indices closed lower. Sharp decline in oil prices dragged stocks of oil companies down. Dow closed 0.1% higher as investors await Fed's monetary policy decision due to be announced today. Awaiting the same, Asian stocks are trading mixed today with Sensex trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.80	(5)	7	25	(26)	(125)
UK	0.70	0	6	23	(11)	(87)
Japan	(0.15)	0	7	8	(3)	(27)
Germany	(0.47)	1	7	21	(15)	(95)
India	6.73	2	16	19	(8)	(141)
China	3.11	1	6	8	(15)	(56)
2Y yields (Δ bps)						
US	1.72	(3)	5	25	(14)	(107)
UK	0.54	1	6	2	(5)	(28)
Japan	(0.25)	0	4	3	(5)	(14)
Germany	(0.71)	1	13	20	5	(19)
India	5.77	1	6	(9)	(44)	(223)
China#	2.58	0	(1)	0	6	(26)
Currencies (Δ %)						
EUR	1.1073	0.7	0.3	(0.2)	(1.1)	(5.1)
GBP	1.2500	0.6	1.2	2.9	(0.5)	(4.9)
JPY	108.13	0	(0.5)	(1.6)	0.3	3.8
AUD	0.6866	0	0.1	1.3	(0.2)	(4.9)
INR	71.78	(0.3)	(0.1)	(0.9)	(3.0)	1.6
CNY	7.0922	(0.4)	0.3	(0.7)	(2.7)	(3.4)
Equity & Other indices (Δ %)						
Dow	27,111	0.1	0.7	4.7	2.4	3.3
FTSE	7,320	0	0.7	2.9	(1.6)	0.3
DAX	12,373	(0.1)	0.8	7.0	0.3	1.8
NIKKEI**	22,001	0.1	2.8	7.8	4.9	(6.1)
Shanghai Comp	2,978	(1.7)	(1.4)	5.5	3.0	10.3
SENSEX	36,481	(1.7)	(1.8)	(2.3)	(6.6)	(2.2)
Brent (US\$/bbl)	64.55	(6.5)	3.5	10.1	3.9	(18.3)
Gold (US\$/oz)	1,501	0.2	1.0	(0.8)	11.5	25.3
CRB Index	385.0	(0.4)	0.4	(3.3)	(6.6)	(6.1)
Rogers Agri Index	700.6	(0.8)	2.3	0.9	(8.5)	(7.5)
LIBOR (3M)*	2.15	1	1	1	(24)	(19)
INR 5Y Swap*	6.38	(3)	28	9	(39)	(130)
India FII data (US\$ mn)						
	16 Sep	13 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(298.6)	(49.4)	(298.6)	107.6	4,354.8	3,810.2
FII-Equity	(110.8)	(56.0)	(110.8)	(524.0)	6,682.1	(163.1)

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

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