

MACRO DAILY

19 September 2019

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 111.5bn and stood at Rs 22tn for the week ending 13 Sep 2019. Reserve money rose by 11.9% on a YoY basis, compared with an increase of 19% a year ago. On a FYTD basis, reserve money increased by 0.7% as against 3.1% in the previous year.
- US Fed has cut its policy rate for the 2nd time by 25bps in the range of 1.75-2% with a 7-3 vote. This was on the back of slowdown in global growth and ongoing trade dispute. It has lowered the interest rate paid on excess reserve balances of banks by 20bps to 1.8%. Fed projects real GDP to lower by 10bps (2.1%) in 2019, inflation is expected to be at 1.8%. However on future rate, FOMC will be data dependent.
- Japan's exports fell for the 9th consecutive month in Aug'19, by (-) 8.2% vs (-) 1.5% in Jul'19 on a YoY basis. While a part of the decline can be attributed to stronger Yen (+4.5% in Aug'19 vs -1.1% in Aug'18), the other reason is continued slowdown in exports to Asia (-10.9% vs -8.3%), especially China (-12.1% vs 9.3%). Japan's imports too fell sharply in Aug'19 (-12% vs -1.2% in Jul'19). Separately, BoJ in its latest policy meet has kept all the rates unchanged but has signalled policy easing in Oct'19.

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Markets

- **Bonds:** Except China, global yields closed lower supported by Fed's reduction of policy rate. US 10Y yield fell by (-) 1bps (1.8%). Oil prices declined by (-) 1.5% to US\$ 64/bbl as Saudi Arabia reassures to restore output by end Sep'19. Thus, India's 10Y yield fell by 11bps (6.62%). It is trading further lower at 6.58% today, following global cues.
- **Currency:** Barring CNY and INR, global currencies closed lower. DXY rose by 0.3% after US Fed sounded uncertain about rate cuts and maintained favourable growth outlook. INR appreciated by 0.8% as oil prices receded. However it opened lower today, in line with Asian currencies.
- **Equity:** Barring Nikkei and FTSE, global indices closed higher after Fed reduced policy rates. Shanghai Comp gained (0.3%) the most. Sensex too ended in green led by realty, metal stocks and DII inflow of Rs 7.8bn. However, it was trading lower today; Asian stocks were trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.80	(1)	6	24	(23)	(127)
UK	0.64	(5)	1	18	(22)	(97)
Japan	(0.18)	(3)	2	5	(5)	(31)
Germany	(0.51)	(4)	5	18	(22)	(100)
India	6.62	(11)	(6)	8	(22)	(145)
China	3.13	2	7	10	(13)	(55)
2Y yields (Δ bps)						
US	1.76	4	9	29	3	(103)
UK	0.51	(3)	2	(1)	(11)	(33)
Japan	(0.27)	(2)	0	1	(5)	(17)
Germany	(0.73)	(1)	11	18	1	(20)
India	5.75	(3)	3	(12)	(46)	(221)
China#	2.53	(5)	(5)	(5)	1	(37)
Currencies (Δ %)						
EUR	1.1030	(0.4)	0.2	(0.5)	(1.7)	(5.5)
GBP	1.2472	(0.2)	1.2	2.7	(1.3)	(5.1)
JPY	108.45	(0.3)	(0.6)	(1.9)	(0.3)	3.4
AUD	0.6828	(0.6)	(0.5)	0.7	(0.8)	(6.0)
INR	71.24	0.8	0.6	(0.1)	(2.2)	1.6
CNY	7.0860	0.1	0.4	(0.6)	(2.6)	(3.5)
Equity & Other indices (Δ %)						
Dow	27,147	0.1	0	4.9	2.4	2.8
FTSE	7,314	(0.1)	(0.3)	2.8	(1.2)	(0.2)
DAX	12,390	0.1	0.2	7.2	0.7	1.4
NIKKEI**	21,961	(0.2)	1.7	7.6	2.9	(7.2)
Shanghai Comp	2,986	0.3	(0.8)	5.7	2.3	9.3
SENSEX	36,564	0.2	(1.9)	(2.1)	(6.5)	(1.5)
Brent (US\$/bbl)	63.60	(1.5)	4.6	8.5	2.9	(19.9)
Gold (US\$/oz)	1,494	(0.5)	(0.2)	(1.3)	9.8	24.1
CRB Index	384.0	(0.3)	0	(3.6)	(6.7)	(6.8)
Rogers Agri Index	701.0	0.1	2.3	1.0	(7.7)	(8.1)
LIBOR (3M)*	2.16	(14)	4	3	(22)	(19)
INR 5Y Swap*	6.28	(10)	10	(1)	(54)	(141)
India FII data (US\$ mn)						
	17 Sep	16 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(55.1)	(298.6)	(353.6)	52.6	4,299.8	3,755.1
FII-Equity	(94.8)	(110.8)	(205.5)	(618.8)	6,587.3	(257.9)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield as on 17 Sep 2019

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