

MACRO DAILY

20 August 2019

Macro developments

- According to fourth advance estimates, while foodgrain output at 285mn tonne missed its target for 2018-19, it was still higher than the last 5-year average. Rice, wheat and sugarcane output touched a record high in 2018-19, rising by 3%, 2% and 5.3% respectively from last year. Even oilseeds production increased by 3% in 2018-19 vs last year. Pulses and cotton output turned out to be lower than last year; still above its 5-year average.
- Inflation in both the Euro Area and EU moderated to 1% and 1.4% in Jul'19 vs 1.3% & 1.6% respectively, in Jun'19 on YoY basis. There has been broad based moderation, especially in energy prices (0.5% in Jul'19 vs 1.7% in Jun'19). Core CPI also edged down by 0.9% vs 1.1% in Jun'19. Muted inflation coupled with subdued growth might prompt ECB to cut rates.
- Japan's exports fell by (-) 1.6% in Jul'19 vs (-) 6.6% in Jun'19, declining for 8 straight months as global outlook continues to worsen. Exports to China fell for the 5th straight month, by (-) 9.3% in Jul'19, led by decline in exports of equipment used to manufacture semi-conductors (-31.5%) and electrical machinery (-14.1%). Along with the intensifying trade war between US and China, Japan's own trade dispute with South Korea have hurt exports.

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Markets

- **Bonds:** Except China and UK (stable), other global yields closed higher. Fear of recession faded amidst fiscal and monetary stimulus from major economies. US 10Y yield rose by 5bps (1.61%) ahead of Powell's speech. Crude prices rose by 1.9% (US\$ 60/bbl) due to tensions in Middle East. India's 10Y yield also edged up by 4bps (6.59%) taking global cues. It is trading higher at 6.61% today.
- **Currency:** Global currencies closed lower as dollar strengthened. DXY rose by 0.2% on reports that major economies such as Germany and China are looking at fresh stimulus. INR depreciated by (-) 0.4% as oil prices rose. It is trading further lower today (~6-month low) in line with Asian currencies.
- **Equity:** Global indices ended higher as China announced key interest rate reform and Germany is expected to spend additional US\$ 55bn as part of its fiscal stimulus program. Major gainers were Shanghai Comp (2.1%) and Dax (1.3%). Following global cues, Sensex is trading higher today, in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.61	5	(4)	(45)	(81)	(121)
UK	0.47	0	(2)	(26)	(59)	(75)
Japan	(0.22)	1	(1)	(9)	(18)	(33)
Germany	(0.65)	4	(6)	(32)	(56)	(95)
India	6.59	4	9	23	(70)	(125)
China	3.02	0	(1)	(14)	(25)	(63)
2Y yields (Δ bps)						
US	1.55	7	(4)	(27)	(68)	(104)
UK	0.50	(2)	6	(2)	(22)	(21)
Japan	(0.28)	0	(1)	(8)	(12)	(15)
Germany	(0.90)	1	(2)	(13)	(26)	(26)
India	5.86	(1)	1	(20)	(81)	(171)
China#	2.52	0	(3)	(7)	(9)	(27)
Currencies (Δ %)						
EUR	1.1078	(0.1)	(1.2)	(1.3)	(0.8)	(3.5)
GBP	1.2126	(0.2)	0.4	(3.0)	(4.7)	(5.3)
JPY	106.64	(0.2)	(1.3)	1.0	3.1	3.1
AUD	0.6764	(0.2)	0.2	(3.9)	(2.1)	(7.8)
INR	71.44	(0.4)	(0.9)	(3.8)	(2.4)	(2.3)
CNY	7.0507	(0.1)	0.1	(2.4)	(2.0)	(2.8)
Equity & Other indices (Δ %)						
DOW	26,136	1.0	0.9	(3.8)	1.8	1.5
FTSE	7,190	1.0	(0.5)	(4.2)	(1.7)	(5.3)
DAX	11,715	1.3	0.3	(4.4)	(2.7)	(5.0)
NIKKEI	20,563	0.7	(0.6)	(4.2)	(3.5)	(7.4)
Shanghai Comp	2,883	2.1	2.4	(1.4)	0.4	6.8
SENSEX	37,402	0.1	(0.5)	(2.4)	(5.0)	(2.3)
Brent (USD/bbl)	59.74	1.9	2.0	(4.4)	(17.0)	(17.3)
Gold (USD/oz)	1,496	(1.2)	(1.0)	4.9	17.1	25.7
CRB Index	396.5	(0.4)	(0.3)	(2.3)	(4.1)	(4.3)
Rogers Agri Index	688.0	(0.9)	(1.3)	(7.1)	(4.8)	(14.2)
LIBOR (3M)*	2.14	1	(4)	(12)	(39)	(17)
INR 5Yr Swap*	6.29	0	(8)	(14)	(59)	(119)
India FII data (US\$ mn)						
	16 Aug	14 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	79.4	64.8	90.2	253.9	2,907.8	2,363.2
FII-Equity	185.0	284.8	391.1	(1,094.7)	8,309.9	1,464.7

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

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