

MACRO DAILY

20 September 2019

Macro developments

- Government has announced measures to boost credit disbursement. It has asked state run banks to hold open meetings in 400 districts (200 districts will be covered by 29 Sep 2019) along with the NBFCs to focus on MSMEs and retail customers. Stressed MSME loans shall also not be declared NPAs till 31 Mar 2020. Banks have already acquired Rs 92bn of pooled assets of NBFCs/HFCs under the partial credit guarantee scheme, another Rs 320bn is in the pipeline to mitigate liquidity issues.
- BoE kept policy rate unchanged at 0.75%. It was however cautious on growth due to political uncertainty surrounding Brexit. Growth forecast was revised downward for Q3CY19 from 0.3% to 0.2%. Separately, Central Bank of Taiwan, too kept its policy rate unchanged at 1.375%. However, it revised its growth forecast upwards to 2.4% for CY19.
- US existing home sales rose to a 17-month high in Aug'19 by 1.3% on MoM basis to 5.49mn in Aug'19 vs 5.42mn in Jul'19 (est.: 5.38mn). This was on the back of lower mortgage rates-30year fixed mortgage rate has dropped to 3.5%, from 7-year high of 4.9% in Nov'18. In a separate print, US jobless claims rose by 2,000 to 208,000 for the week ending 14 Sep 2019.

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Markets

- Bonds:** Global yields closed mixed amidst US-China trade jitters and hopes of Brexit deal. US 10Y yield fell by 1bps (1.78%). Crude prices rose by 1.3% (US\$ 64/bbl) due to supply tensions. India's 10Y yield rose by 1bps (6.64%). It is trading 7bps lower today at 6.56% supported by governor's comments on monetary space remaining to support growth.
- Currency:** Global currencies closed mixed with Asian currencies ending in red. DXY fell by (-) 0.3% after US Fed was more hawkish than expected. Unchanged stance of BoE, BoJ and SNB supported gains in EUR and GBP and JPY. INR fell by (-) 0.1% as oil prices inched up. However it opened higher today, in line with other Asian currencies.
- Equity:** Barring Dow and Sensex, global indices closed higher after Fed reduced policy rates and BoE kept the rates on hold, in line with expectation. Sensex fell by (-) 1.3% led by increased selling pressure by FIIs. It 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	1.78	(1)	1	18	(24)	(128)
UK	0.64	(1)	(4)	17	(17)	(95)
Japan	(0.21)	(3)	0	1	(5)	(34)
Germany	(0.51)	0	1	14	(19)	(98)
India	6.64	1	(3)	5	(15)	(144)
China	3.11	(2)	2	8	(15)	(59)
2Y yields (Δ bps)						
US	1.74	(2)	2	19	(4)	(107)
UK	0.52	1	(3)	2	(6)	(31)
Japan	(0.29)	(2)	(2)	(1)	(6)	(19)
Germany	(0.72)	0	0	17	3	(20)
India	5.74	(1)	2	(12)	(45)	(215)
China#	2.53	(5)	(5)	(5)	1	(37)
Currencies (Δ %)						
EUR	1.1041	0.1	(0.2)	(0.3)	(2.2)	(6.2)
GBP	1.2526	0.4	1.5	3.3	(1.4)	(5.6)
JPY	108.02	0.4	0.1	(1.3)	(0.7)	4.0
AUD	0.6792	(0.5)	(1.1)	0.4	(1.9)	(6.9)
INR	71.33	(0.1)	(0.3)	0.2	(2.7)	1.2
CNY	7.0965	(0.1)	(0.2)	(0.6)	(3.6)	(3.6)
Equity & Other indices (Δ %)						
Dow	27,095	(0.2)	(0.3)	3.7	1.3	1.6
FTSE	7,356	0.6	0.2	2.3	(0.9)	(0.1)
DAX	12,458	0.5	0.4	6.3	0.8	1.1
NIKKEI**	22,044	0.4	1.3	7.2	2.7	(6.9)
Shanghai Comp	2,999	0.5	(1.1)	4.0	0.4	9.9
SENSEX	36,093	(1.3)	(2.7)	(3.5)	(8.9)	(2.0)
Brent (US\$/bbl)	64.40	1.3	6.7	7.8	(0.1)	(18.2)
Gold (US\$/oz)	1,499	0.3	0	0.2	8.0	24.2
CRB Index	385.5	0.4	0.2	(2.8)	(6.4)	(6.8)
Rogers Agri Index	701.4	0.1	0.6	2.0	(8.0)	(8.9)
LIBOR (3M)*	2.16	(15)	4	0	(19)	(21)
INR 5Y Swap*	6.35	7	9	5	(24)	(134)
India FII data (US\$ mn)						
	18 Sep	17 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	14.3	(55.1)	(339.3)	66.9	4,314.0	3,769.4
FII-Equity	(130.7)	(94.8)	(336.2)	(749.5)	6,456.6	(388.6)

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

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