

MACRO DAILY

23 August 2019

Macro developments

- As per news reports, domestic air passenger traffic rose by 3.1% between Jan-Jul'19; slowest pace in 5 years. This is in comparison to 22% growth between Jan-Jul'18 and 17.2% between Jan-Jul'17. The sharp decline is on account of weak demand and less supply (due to grounding of Jet airways).
- Flash PMI data reflected that while services activity remained buoyant, manufacturing continued to falter. Eurozone manufacturing PMI was still below the 50 mark at 47 in Aug'19 vs 46.5 in Jul'19. Services PMI however, rose to 53.4 vs 53.2 in Jul'19. In Japan as well, similar trend was visible (manufacturing PMI: 49.5 and services PMI: 53.4 in Aug'19). All indices - new order inflows, employment and input prices remained subdued.
- Bank of Indonesia (BI) has reduced its policy rate by another 25bps in Aug'19 to 5.5%, after delivering its first rate cut (25bps) in Jul'19. This was led by benign inflation (3.3% in Jul'19) and subdued growth. BI expects CY19 GDP to be lower than government's target of 5.2%. Further, to push growth beyond 5.3% next year, government in its budget last week announced spending of US\$ 178bn and tax incentives for businesses.

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Markets

- Bonds:** Global yields closed mixed amidst global growth slowdown, Japan-S. Korea tensions and depreciating CNY. US 10Y yield rose by 2bps (1.61%) ahead of Powell's speech. Crude fell by (-) 0.6% (US\$ 60/bbl). India's 10Y yield fell by (-) 1bps (6.56%). It is trading at 6.58% today.
- Currency:** Global currencies closed mixed. GBP rose by 1% to a month high on optimism over Brexit deal. CNY fell by (-) 0.3% to an 11-year low on the back of uncertainty over US-China trade talks. INR also fell by (-) 0.4% to close at an 8-month amidst decline in local equity markets and FII outflows. It opened lower today in line with other Asian currencies.
- Equity:** Global indices closed mixed as recession fears lingered, ahead of the Jackson Hole meet scheduled later today. European indices ended in red, while Dow rose by 0.2%. Sensex tanked (-1.6%) as expectations of fiscal stimulus faded. It is trading further lower 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 | 1.61 | 2 | 9 | (43) | (71) | (121) |
| UK | 0.52 | 4 | 11 | (19) | (44) | (75) |
| Japan | (0.24) | 0 | 0 | (10) | (18) | (34) |
| Germany | (0.64) | 3 | 7 | (30) | (52) | (98) |
| India | 6.56 | (1) | (7) | 14 | (68) | (132) |
| China | 3.06 | 0 | 4 | (9) | (25) | (56) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.61 | 4 | 12 | (20) | (53) | (100) |
| UK | 0.52 | 1 | 7 | 2 | (13) | (20) |
| Japan | (0.30) | 0 | (2) | (10) | (15) | (19) |
| Germany | (0.86) | 2 | 5 | (9) | (23) | (27) |
| India | 5.81 | (3) | (3) | (26) | (77) | (178) |
| China# | 2.60 | 8 | 8 | 2 | 3 | (31) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1080 | 0 | (0.2) | (1.2) | (0.9) | (4.0) |
| GBP | 1.2251 | 1.0 | 1.3 | (1.8) | (3.2) | (4.4) |
| JPY | 106.44 | 0.2 | (0.3) | 1.3 | 2.9 | 4.4 |
| AUD | 0.6757 | (0.4) | (0.3) | (4.0) | (2.1) | (6.8) |
| INR | 71.82 | (0.4) | (0.8) | (4.2) | (2.6) | (2.4) |
| CNY | 7.0833 | (0.3) | (0.7) | (2.9) | (2.5) | (3.0) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 26,252 | 0.2 | 2.6 | (3.4) | 3.0 | 2.3 |
| FTSE | 7,128 | (1.1) | 0.9 | (5.1) | (1.4) | (5.8) |
| DAX | 11,747 | (0.5) | 2.9 | (4.4) | (1.7) | (5.0) |
| NIKKEI | 20,628 | 0 | 1.1 | (3.7) | (2.5) | (8.0) |
| Shanghai Comp | 2,883 | 0.1 | 2.4 | (0.1) | 1.1 | 5.8 |
| SENSEX | 36,473 | (1.6) | (2.2) | (4.1) | (6.0) | (4.9) |
| Brent (US\$/bbl) | 59.92 | (0.6) | 2.9 | (5.3) | (11.6) | (19.8) |
| Gold (US\$/oz) | 1,498 | (0.3) | (1.7) | 5.1 | 16.7 | 26.4 |
| CRB Index | 394.5 | (0.4) | (0.8) | (2.8) | (4.5) | (4.4) |
| Rogers Agri Index | 686.6 | (0.2) | (0.5) | (6.3) | (4.8) | (12.3) |
| LIBOR (3M)* | 2.15 | 0 | (2) | (14) | (37) | (16) |
| INR 5Y Swap* | 6.26 | (3) | (11) | (19) | (63) | (123) |
| India FII data (US\$ mn) | | | | | | |
| | 21 Aug | 20 Aug | WTD | MTD | CYTD | FYTD |
| FII-Debt | 55.8 | 264.7 | 535.0 | 788.9 | 3,442.8 | 2,898.2 |
| FII-Equity | (146.0) | (57.0) | (240.1) | (1,334.8) | 8,069.8 | 1,224.6 |

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

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