

MACRO DAILY

23 October 2019

Macro developments

- According to news reports, government is expected to announce MSP of Rabi crops for AY20, in a major relief to farmers. The hike is likely to be based on the recommendations of CACP. This will result in prices of wheat, lentils and safflowers rising by 4.6%, 7.3% and 5.5% respectively. The jump in MSP of pulses and oilseeds is a step towards shifting the reliance from foodgrains and encourage farmers to cultivate other crops.
- As per news reports, the Department for Promotion of Industry and Internal Trade (DPIIT) is planning to launch a single window clearance for foreign investors. Earlier as well, government has undertaken slew of measures-100% FDI under the automatic route in contract manufacturing, easing of local sourcing norms for Single Brand Retail etc, to promote FDI (US\$ 16.3bn in Q1FY20 vs US\$ 12.8bn in Q1FY19).
- Existing home sales in the US fell by (-) 2.2% in Sep'19 vs est.: (-) 0.7% and +1.3% in Aug'19 on a MoM basis. On an annualised basis, drop was most visible in the mid-west region (-3.1%) followed by northeast (-2.8%) and south (-2.1%). Sales declined despite mortgage rate coming down by 125bps (to 3.69%) since the high of Nov'18. A key reason for this could be sharpest appreciation in median prices (5.9% on YoY basis) since Jan'18.

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Markets

- Bonds:** Global yields closed mixed as UK lawmakers voted to reject a limited time frame for reviewing legislation related to Brexit. US & UK 10Y yield both fell by 4bps each. Oil prices rose by 1.3% (US\$ 60/bbl) amidst speculation of production cut by OPEC and its allies. India's 10Y yield rose a tad by 1bps (6.71%). It is trading lower at 6.69% today.
- Currency:** Global currencies closed mixed. GBP depreciated by (-) 0.7% as uncertainty looms over Brexit. EUR also fell by (-) 0.2%. INR appreciated by 0.3% supported by FII inflows. In line with other Asian currencies, INR is trading higher today.
- Equity:** Barring Dow and Sensex, global indices closed higher over renewed optimism surrounding US-China trade talks. Brexit developments also remained in focus. Sensex fell by (-) 0.9% led by major sell-off in Infosys (down by 16%). It is trading 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	1.76	(4)	(1)	4	(32)	(141)
UK	0.71	(4)	2	8	2	(76)
Japan	(0.13)	0	4	8	2	(28)
Germany	(0.37)	(2)	5	15	(1)	(78)
India [^]	6.71	1	3	(8)	25	(118)
China	3.22	0	6	12	7	(36)
2Y yields (Δ bps)						
US	1.59	(3)	(2)	(9)	(24)	(128)
UK	0.52	(3)	(1)	0	3	(21)
Japan	(0.23)	0	4	6	(4)	(12)
Germany	(0.66)	1	3	6	12	(5)
India	5.57	0	(4)	(23)	(50)	(203)
China [#]	2.60	4	4	7	2	(29)
Currencies (Δ %)						
EUR	1.1125	(0.2)	0.8	1.0	(0.2)	(3.0)
GBP	1.2872	(0.7)	0.7	3.2	3.5	(0.9)
JPY	108.49	0.1	0.3	(0.9)	(0.2)	3.5
AUD	0.6855	(0.2)	1.5	1.3	(2.1)	(3.3)
INR	70.94	0.3	0.8	0	(2.9)	3.6
CNY	7.0769	0	0.1	0.2	(2.9)	(2.0)
Equity & Other indices (Δ %)						
Dow	26,788	(0.1)	(0.9)	(0.5)	(2.1)	6.3
FTSE	7,212	0.7	0	(1.8)	(4.6)	3.7
DAX	12,755	0.1	1.0	2.3	2.1	13.1
NIKKEI	22,549	0.2	1.5	2.1	4.3	2.4
Shanghai Comp	2,954	0.5	(1.2)	(1.7)	1.9	13.9
SENSEX	38,964	(0.9)	1.2	2.5	2.6	15.1
Brent (US\$/bbl)	59.70	1.3	1.6	(7.1)	(6.5)	(21.9)
Gold (US\$/oz)	1,488	0.2	0.5	(1.9)	4.9	20.9
CRB Index	392.2	0	0	1.7	(3.7)	(5.8)
Rogers Agri Index	726.2	(0.1)	0	4.0	(1.2)	(7.8)
LIBOR (3M)*	1.93	(2)	(7)	(20)	(34)	(56)
INR 5Y Swap*	6.54	7	8	19	8	(114)
India FII data (US\$ mn)						
	18 Oct	17 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	44.8	39.7	67.6	105.6	4,079.0	3,534.3
FII-Equity	15.1	178.5	1,489.6	753.7	8,914.4	2,069.2

Source: Bloomberg, Bank of Baroda | [^]7.26% GS 2029 | *Indicates change in bps | #1Y yield

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