

MACRO DAILY

24 September 2019

Macro developments

- According to the 1st advance estimates, foodgrain production for agriculture year 2019-20 is expected to be (-) 0.7% lower at 140.57mn tonnes compared with last year. Production of pulses is also likely to be (-) 11% lower this year. This might be on the back of incessant rains (5% above LPA on cumulative basis). However, rice production is expected to improve moderately by 1% for the same period.
- Global flash PMIs indicate while manufacturing activity improved marginally in US in Sep'19, it weakened further in Japan and Eurozone (led by Germany). US registered modest improvement in output and new order growth. However, Japan and Germany continue to be hit by notable decline in new export orders. US-China trade tensions, Hong Kong protests, Brexit woes have all impacted business conditions negatively.
- Industrial production in Taiwan rose by 2.3% in Aug'19 following a 3.8% increase in Jul'19. The 2nd consecutive increase was led by electronics component sector (up by 9.5% in Aug'19, highest in 10-months). However in CYTD19, industrial production has fallen by (-) 1.1% as US-China trade war continues to impinge on global demand.

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Markets

- **Bonds:** Global yields closed mixed amidst positive developments on US-China trade talks and muted manufacturing activity in Eurozone & Japan. US 10Y yield rose a tad by 1bps (1.73%). Crude prices rose by 0.8% (US\$ 65/bbl) as supply concerns persisted. India's 10Y yield fell by 4bps (6.75%) after news reports claimed that option of tapping overseas debt market is still open. It is trading at 6.74% today.
- **Currency:** Global currencies closed mixed. EUR fell by (-) 0.2% after dismal manufacturing PMI data. As a result, DXY rose by 0.1%. GBP fell by (-) 0.4% on the back of Brexit uncertainty. INR closed flat. It is trading higher today, while other Asian currencies are trading flat.
- **Equity:** Global indices closed mixed with European and China's indices ending in red. Dax and Shanghai Comp fell by (-) 1%. Continued weakness in global manufacturing activity kept investors jittery. Sensex gained by 2.8%, supported by DII inflows of Rs 2.9bn.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.73	1	(12)	19	(29)	(136)
UK	0.55	(8)	(14)	7	(26)	(106)
Japan	(0.21)	0	(5)	2	(5)	(34)
Germany	(0.58)	(6)	(10)	9	(27)	(109)
India	6.75	(4)	3	18	(10)	(137)
China	3.10	0	1	3	(14)	(58)
2Y yields (Δ bps)						
US	1.68	0	(8)	15	(5)	(114)
UK	0.49	(4)	(4)	3	(10)	(34)
Japan	(0.29)	0	(5)	0	(7)	(19)
Germany	(0.74)	(2)	(2)	15	0	(23)
India	5.79	(1)	3	(1)	(43)	(217)
China#	2.53	(5)	(5)	(5)	1	(37)
Currencies (Δ %)						
EUR	1.0993	(0.2)	(0.1)	(1.4)	(3.6)	(6.4)
GBP	1.2429	(0.4)	0	1.3	(2.5)	(5.3)
JPY	107.55	0	0.5	(2.0)	(0.2)	4.7
AUD	0.6773	0.1	(1.3)	0.3	(2.7)	(6.6)
INR	70.94	0	0.9	1.0	(2.3)	2.3
CNY	7.1180	(0.4)	(0.7)	(0.3)	(3.5)	(3.6)
Equity & Other indices (Δ %)						
Dow	26,950	0.1	(0.5)	5.2	0.8	1.5
FTSE	7,326	(0.3)	0.1	3.3	(1.2)	(1.8)
DAX	12,342	(1.0)	(0.3)	6.3	0.6	(0.1)
NIKKEI**	22,079	0.2	0.4	6.6	3.7	(7.8)
Shanghai Comp	2,977	(1.0)	0	2.7	(1.0)	7.0
SENSEX	39,090	2.8	5.3	6.5	(0.1)	7.7
Brent (US\$/bbl)	64.77	0.8	(6.2)	9.2	(0.1)	(20.2)
Gold (US\$/oz)	1,522	0.4	1.6	(0.3)	7.2	27.0
CRB Index	386.2	0.2	0	(1.6)	(6.3)	(7.1)
Rogers Agri Index	703.3	0.7	(0.4)	3.2	(7.5)	(8.7)
LIBOR (3M)*	2.13	(2)	(1)	(1)	(20)	(24)
INR 5Y Swap*	6.40	5	(1)	13	(14)	(137)
India FII data (US\$ mn)						
	20 Sep	19 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	68.4	41.1	(229.8)	176.4	4,423.6	3,878.9
FII-Equity	83.5	(104.7)	(357.4)	(770.6)	6,435.5	(409.8)

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

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