

MACRO DAILY

25 July 2019

Macro developments

- Indian government has approved creation of sugar buffer stock of 4mn tonne in order to address the bumper crop production and pending cane arrears of over Rs 15.2bn. The move is likely to cost Rs 16.7bn to the exchequer and is expected to not only stabilize sugar prices, but also maintain the demand-supply balance. Last year too, buffer stock of 3mn tonne was created with a cost of Rs 11.7bn.
- Flash manufacturing PMIs show manufacturing activity faltering with US PMI hitting 119th month low in Jul'19 (48.9). Eurozone manufacturing PMI also fell to its 79-month low (46.4 in Jul'19 vs 47.6 in Jun'19). In Japan as well, similar trend was seen on the back of slowdown in global growth, trade war concerns and Brexit woes.
- US new home sales rose by 7% on a MoM basis in Jun'19 vs (-) 8.2% in May'19. However, the data is to be read with caution as numbers for the previous 3 months were revised downward. Apart from this, in Q2CY19 sales have risen by only 0.6% on a YoY basis vs 4.2% rise in Q1, implying real estate sector may pose a drag to Q2 GDP growth.

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except China, global yields closed lower amidst slowdown in global growth as visible from the flash PMI readings of major economies. Investors also awaited ECB's policy decision expecting monetary easing. US 10Y yield fell by 4bps (2.04%). Crude prices declined by (-) 1% (US\$ 63/bbl) on concerns of weaker demand. India's 10Y yield closed lower by 3bps (6.44%) taking global cues. It is trading stable today.
- **Currency:** Global currencies closed mixed. EUR depreciated by (-) 0.1% after weaker than expected PMI reading for the Eurozone. GBP rose by 0.4% after the new UK PM promised to meet the 31 Oct deadline for Brexit. INR declined by (-) 0.1% led by FII outflows. It opened further lower today, while other Asian currencies are trading mixed.
- **Equity:** Global indices ended mixed as investors awaited ECB rate decision. Weaker PMI print for Eurozone added to these woes. Sensex ended the day lower (-0.4%) as IMF slashed India's growth forecast. However, it is trading higher 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	2.04	(4)	0	3	(48)	(93)
UK	0.68	(1)	(8)	(14)	(50)	(60)
Japan	(0.15)	(1)	(3)	1	(11)	(22)
Germany	(0.38)	(2)	(9)	(7)	(37)	(77)
India	6.44	(3)	9	(41)	(99)	(135)
China	3.17	1	(1)	(8)	(26)	(40)
2Y yields (Δ bps)						
US	1.82	(2)	1	9	(50)	(85)
UK	0.48	(1)	(6)	(11)	(27)	(28)
Japan	(0.20)	0	(2)	3	(5)	(8)
Germany	(0.78)	0	(3)	(4)	(19)	(18)
India	6.09	2	0	(12)	(67)	(143)
China**	2.58	0	(1)	(6)	(10)	(45)
Currencies (Δ %)						
EUR	1.1140	(0.1)	(0.7)	(2.3)	(0.1)	(5.0)
GBP	1.2484	0.4	0.4	(2.0)	(3.2)	(5.3)
JPY	108.19	0	(0.2)	(0.8)	3.6	2.5
AUD	0.6977	(0.4)	(0.5)	0.2	(0.5)	(6.4)
INR	68.98	(0.1)	(0.2)	0.5	1.3	(0.3)
CNY	6.8719	0.1	0	0.1	(2.2)	(1.5)
Equity & Other indices (Δ %)						
DOW	27,270	(0.3)	0.2	2.0	2.5	7.3
FTSE	7,501	(0.7)	(0.5)	1.1	0.4	(2.0)
DAX	12,523	0.3	1.5	2.0	1.7	(0.4)
NIKKEI	21,710	0.4	1.1	2.0	(2.2)	(4.0)
Shanghai Comp	2,923	0.8	(0.3)	(2.8)	(8.7)	0.7
SENSEX	37,848	(0.4)	(3.5)	(3.3)	(3.1)	2.7
Brent (USD/bbl)	63.18	(1.0)	(0.8)	(2.6)	(15.3)	(14.5)
Gold (USD/oz)	1,426	0.6	0	0.4	11.8	15.8
CRB Index	407.4	0	0.8	(1.1)	(3.3)	(5.9)
Rogers Agri Index	737.2	0.3	0.1	(3.1)	1.6	(9.0)
LIBOR (3M)*	2.28	(1)	(2)	(6)	(31)	(6)
INR 5Yr Swap*	6.51	5	5	(3)	(67)	(119)
India FII data (US\$ mn)						
	23 Jul	22 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	9.1	(76.7)	(67.6)	1,130.7	2,559.0	2,014.4
FII-Equity	(398.0)	(279.5)	(677.5)	(1,873.1)	9,465.8	2,620.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** as on 16.07.2019.

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com