

## MACRO DAILY

25 September 2019

### Macro developments

- ADB has revised its growth forecast downward for India to 6.5% from 7.2% earlier in FY20. This was in line with slowdown observed globally. However, India will continue to be one of the fastest growing economies. Recent government announcements such as corporate tax cut, bank recapitalisation and liquidity support to NBFCs will stimulate private investment including FDI and pave way for a cyclical growth recovery.
- Germany's Ifo business climate index inched up in Sep'19 to 94.6 from 94.3 in Aug'19. This was driven by improvement in business conditions of the services sector. Manufacturing and trade companies continue to assess their current and future positions weak. As a result, Ifo expectation index deteriorated further to 90.8 vs 91.3 in Aug'19.
- Amidst trade war worries, US consumer confidence registered the sharpest drop in over 9 months to 125.1 in Sep'19 from 134.2 in Aug'19. The waning consumer confidence poses a serious risk to growth. The drop can also be attributed to uncertainty and volatility in the global economy. Even the present situation index took a hit, dropping to 169 in Sep'19 (176 in Aug'19).

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### Markets

- **Bonds:** Except India and China, global yields closed lower. Trump's criticism on China's trade practices, impeachment enquiry on US president and Brexit uncertainties impacted investor sentiments. US 10Y yield fell by (-) 8bps (1.65%) over weaker consumer confidence print. Crude prices fell by (-) 2.6% (US\$ 63/bbl). India's 10Y yield rose by 3bps (6.78%) over concerns of higher borrowing in H2. It is trading at 6.77% today.
- **Currency:** Except INR and CNY, other global currencies closed higher. DXY fell by (-) 0.3% amidst political uncertainty in the US and re-emergence of trade friction between US and China. INR depreciated by (-) 0.1%. In line with other Asian currencies, INR is trading lower today.
- **Equity:** Global indices closed mixed over weaker data from US, Germany and UK's court ruling the suspension of parliament as unlawful. Both Dow and FTSE fell by (-) 0.5% each, followed by Dax (-0.3%). Following global cues, Sensex is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.65	(8)	(16)	11	(34)	(145)
UK	0.53	(2)	(17)	5	(27)	(110)
Japan	(0.23)	(3)	(8)	0	(8)	(37)
Germany	(0.60)	(2)	(13)	8	(27)	(114)
India	6.78	3	5	21	(10)	(135)
China	3.12	2	2	5	(12)	(57)
<b>2Y yields (Δ bps)</b>						
US	1.63	(6)	(10)	9	(11)	(121)
UK	0.46	(3)	(8)	0	(13)	(38)
Japan	(0.32)	(2)	(7)	(2)	(9)	(22)
Germany	(0.73)	1	(2)	16	1	(24)
India	5.79	0	2	(1)	(45)	(216)
China#	2.53	(5)	(5)	(5)	1	(37)
<b>Currencies (Δ %)</b>						
EUR	1.1020	0.2	(0.5)	(1.1)	(3.1)	(6.3)
GBP	1.2487	0.5	(0.1)	1.8	(1.6)	(5.3)
JPY	107.07	0.4	1.0	(1.6)	0.1	5.2
AUD	0.6801	0.4	(0.9)	0.7	(2.3)	(6.2)
INR	71.02	(0.1)	1.1	0.9	(2.4)	2.3
CNY	7.1164	0	(0.3)	(0.3)	(3.4)	(3.6)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,808	(0.5)	(1.1)	4.6	1.0	1.2
FTSE	7,291	(0.5)	(0.4)	2.8	(1.8)	(2.9)
DAX	12,307	(0.3)	(0.5)	6.0	0.6	(0.5)
NIKKEI**	22,099	0.1	0.4	6.7	4.3	(7.7)
Shanghai Comp	2,985	0.3	0.2	3.0	0.1	7.3
SENSEX	39,097	0	7.2	6.5	(0.9)	6.7
Brent (US\$/bbl)	63.10	(2.6)	(2.2)	6.3	(3.0)	(22.9)
Gold (US\$/oz)	1,532	0.6	2.0	0.3	7.6	27.5
CRB Index	385.9	(0.1)	0.2	(1.7)	(6.1)	(7.4)
Rogers Agri Index	702.3	(0.1)	0.3	3.0	(7.7)	(8.8)
LIBOR (3M)*	2.11	(3)	(6)	(4)	(21)	(27)
INR 5Y Swap*	6.32	(7)	(5)	6	(30)	(147)
<b>India FII data (US\$ mn)</b>						
	<b>23 Sep</b>	<b>20 Sep</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(61.0)	68.4	(61.0)	115.4	4,362.6	3,817.9
FII-Equity	395.4	83.5	395.4	(375.2)	6,830.9	(14.3)

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

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