

## MACRO DAILY

26 August 2019

### Macro developments

- In an effort boost domestic economy, FM has announced a host of economic reforms. Enhanced surcharge on long/short term capital gains has been rolled back. Upfront release of Rs 700bn capital to PSBs has been announced which will enhance liquidity of ~Rs 5tn. In a relief to MSMEs, all pending GST returns will be paid within 30days and future refund to be sorted within 60days. HFCs will also get liquidity support of Rs 200bn in addition to Rs 100bn announced earlier by NHB.
- US new home sales growth fell by (-) 12.8% in Jul'19 vs 20.9% in Jun'19 on a MoM basis-sharpest monthly decline in 6 years. On YoY basis too, growth eased to 4.3% from 17.8% in Jun'19, despite 3rd consecutive decline in house price in Jul'19 (-4.5%). However, as borrowing costs continue to decline, analysts believe sales may stabilize in coming months.
- Japan's CPI inflation rose by 0.5% in Jun'19 vs 0.7% in May'19. Core CPI which excludes volatile food and energy, increased by 0.6% vs 0.5% in May'19. Inflation has remained well below BoJ's target of 2%. Further, with subdued oil prices and a worsening global outlook, prices are unlikely to go up much, raising hopes for a stimulus programme soon.

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### Markets

- Bonds:** Global yields closed mixed. Muted US new home sales data, Powell's speech confirming slowdown and escalated US-China trade tensions, led to a (-) 8bps decline in US 10Y yield (1.54%). Crude prices also fell by (-) 1% (US\$ 59/bbl). India's 10Y yield rose by 1bps (6.57%). It is trading (-) 5bps lower at 6.52% today, supported by economic reforms.
- Currency:** Except CNY, other global currencies closed mixed against the dollar. DXY fell by (-) 0.5% after US-China trade conflict escalated. CNY depreciated by (-) 0.2%. JPY rose by 1% on safe haven demand. In line with other Asian currencies, INR is trading lower today.
- Equity:** Global indices closed mixed with Dow falling the most (-2.4%). Escalation in US-China trade conflict and President Trump's tweet urging US companies to move out of China, saw US & European markets slipping. While Asian stocks are trading lower today, Sensex is trading higher on the back of measures announced by FM to revive growth.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.54	(8)	(2)	(51)	(79)	(127)
UK	0.48	(4)	2	(20)	(48)	(80)
Japan	(0.23)	0	0	(8)	(16)	(33)
Germany	(0.68)	(3)	1	(30)	(56)	(102)
India	6.57	1	3	14	(65)	(130)
China	3.07	1	5	(10)	(24)	(56)
<b>2Y yields (Δ bps)</b>						
US	1.53	(8)	6	(28)	(63)	(109)
UK	0.45	(7)	(7)	(3)	(19)	(27)
Japan	(0.29)	1	(2)	(9)	(14)	(18)
Germany	(0.89)	(3)	2	(11)	(26)	(30)
India	5.81	0	(6)	(29)	(75)	(176)
China#	2.60	(1)	8	1	0	(25)
<b>Currencies (Δ %)</b>						
EUR	1.1144	0.6	0.5	0	(0.5)	(4.1)
GBP	1.2266	0.1	1.0	(1.7)	(3.5)	(4.5)
JPY	105.39	1.0	0.9	2.6	3.6	5.3
AUD	0.6756	0	(0.3)	(3.2)	(2.5)	(7.8)
INR	71.66	0.2	(0.7)	(3.9)	(3.1)	(2.5)
CNY	7.0955	(0.2)	(0.7)	(3.3)	(2.8)	(4.2)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	25,629	(2.4)	(1.0)	(6.0)	0.2	(0.6)
FTSE	7,095	(0.5)	(0.3)	(5.4)	(2.5)	(6.4)
DAX	11,612	(1.2)	0.4	(7.3)	(3.3)	(6.3)
NIKKEI	20,711	0.4	1.4	(4.6)	(1.9)	(8.4)
Shanghai Comp	2,897	0.5	2.6	(0.9)	1.6	6.2
SENSEX	36,701	0.6	(1.7)	(3.0)	(6.9)	(4.1)
Brent (US\$/bbl)	59.34	(1.0)	1.2	(6.1)	(13.6)	(21.7)
Gold (US\$/oz)	1,527	1.9	0.9	7.1	18.8	26.7
CRB Index	392.4	(0.5)	(1.5)	(3.7)	(5.4)	(4.8)
Rogers Agri Index	680.9	(0.8)	(1.9)	(7.8)	(7.0)	(13.0)
LIBOR (3M)*	2.14	1	1	(12)	(38)	(17)
INR 5Y Swap*	6.27	1	(3)	(25)	(55)	(126)
<b>India FII data (US\$ mn)</b>						
	<b>22 Aug</b>	<b>21 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	363.0	55.8	897.9	1,151.8	3,805.8	3,261.1
FII-Equity	(179.9)	(146.0)	(420.0)	(1,514.7)	7,889.9	1,044.7

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

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