

MACRO DAILY

26 September 2019

Macro developments

- RBI reported that currency in circulation (CIC) declined by (-) Rs 179.1bn and stood at Rs 21.8tn for the week ending 20 Sep 2019. Reserve money rose by 12.7% on a YoY basis, compared with 20% a year ago. On a FYTD basis, reserve money increased by only 1.2% as against 3% last year.
- New home sales in the US jumped by 7.1% on a MoM basis vs (-) 8.6% fall in Jul'19, owing to sharp decline in interest rates. US 10Y yield has fallen from 2.1% in Jul'19 to 1.6% in Aug'19. The 30-year fixed mortgage rate is also down to 3.73%—a 120bps dip since the high of last year. On a YoY basis too, sales increased by 18% vs 9.4% in Jul'19, despite 2.2% increase in median house price (-6.7% in Jul'19).
- Central Banks of Thailand and New Zealand have held their policy rates steady at 1.5% and 1% respectively. BoT also downgraded its growth forecast for CY19 to 2.8% from 3.3% earlier. Both the central banks expressed concern about global growth slowdown and ongoing trade tensions. In CYTD19, policy rates have been reduced by 25bps (Thailand) and 75bps (New Zealand), to boost growth.

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Markets

- **Bonds:** Global yields closed mixed amidst optimism on trade talks, impeachment risk and Brexit uncertainty. US 10Y yield rose by 9bps (1.74%). Crude prices fell by (-) 1.1% (US\$ 62/bbl) amidst build-up in US crude inventories. India's 10Y yield fell by (-) 2bps (6.76%) led by buying from private banks and MFs. It is trading flat today.
- **Currency:** Barring INR which closed flat, other global currencies closed lower. DXY rose by 0.7% after US President hinted that US-China trade deal may be finalized soon. GBP fell by (-) 1.1% on deepening political uncertainty in UK and delay in Brexit. In line with Asian currencies, INR is trading higher today.
- **Equity:** Global indices closed lower with the exception of FTSE (flat) and Dow (+0.6%). Dow gained was on the hopes of US-China trade deal and stronger than expected home sales data. Sensex ended lower (-1.3%) dragged down by tech and power stocks. 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 | 1.74 | 9 | (6) | 20 | (31) | (131) |
| UK | 0.54 | 1 | (11) | 6 | (30) | (106) |
| Japan | (0.26) | (2) | (7) | 1 | (12) | (38) |
| Germany | (0.58) | 3 | (6) | 9 | (27) | (110) |
| India | 6.76 | (2) | 13 | 28 | (17) | (131) |
| China | 3.12 | 0 | (1) | 7 | (13) | (54) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.68 | 5 | (8) | 14 | (9) | (114) |
| UK | 0.46 | 0 | (6) | 0 | (16) | (36) |
| Japan | (0.34) | (2) | (7) | (2) | (12) | (23) |
| Germany | (0.73) | 0 | (1) | 16 | 0 | (23) |
| India | 5.79 | 0 | 5 | 4 | (49) | (209) |
| China# | 2.57 | 3 | 3 | (2) | (6) | (43) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.0943 | (0.7) | (0.8) | (1.4) | (3.7) | (6.8) |
| GBP | 1.2353 | (1.1) | (1.0) | 1.1 | (2.7) | (6.2) |
| JPY | 107.77 | (0.7) | 0.6 | (1.6) | 0.0 | 4.4 |
| AUD | 0.6751 | (0.7) | (1.1) | (0.4) | (3.4) | (7.0) |
| INR | 71.04 | 0 | 0.3 | 1.4 | (2.7) | 2.2 |
| CNY | 7.1315 | (0.2) | (0.6) | 0.3 | (3.7) | (3.7) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 26,971 | 0.6 | (0.6) | 4.1 | 1.6 | 2.2 |
| FTSE | 7,290 | 0 | (0.3) | 2.8 | (1.7) | (2.9) |
| DAX | 12,234 | (0.6) | (1.3) | 4.9 | (0.1) | (1.2) |
| NIKKEI** | 22,020 | (0.4) | 0.3 | 8.7 | 4.4 | (8.4) |
| Shanghai Comp | 2,955 | (1.0) | (1.0) | 3.2 | (0.7) | 5.3 |
| SENSEX | 38,594 | (1.3) | 5.6 | 2.9 | (2.5) | 5.6 |
| Brent (US\$/bbl) | 62.39 | (1.1) | (1.9) | 6.3 | (6.2) | (23.3) |
| Gold (US\$/oz) | 1,504 | (1.8) | 0.7 | (1.5) | 6.7 | 25.9 |
| CRB Index | 387.4 | 0.4 | 0.9 | (1.1) | (5.5) | (7.0) |
| Rogers Agri Index | 702.7 | 0 | 0.2 | 2.7 | (7.5) | (8.7) |
| LIBOR (3M)* | 2.11 | 1 | (4) | 0 | (22) | (27) |
| INR 5Y Swap* | 6.30 | (2) | 2 | 15 | (34) | (153) |
| India FII data (US\$ mn) | | | | | | |
| | 24 Sep | 23 Sep | WTD | MTD | CYTD | FYTD |
| FII-Debt | (26.7) | (61.0) | (87.6) | 88.7 | 4,335.9 | 3,791.3 |
| FII-Equity | (105.4) | 395.4 | 290.0 | (480.7) | 6,725.4 | (119.8) |

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

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