

MACRO DAILY

29 October 2019

Macro developments

- RBI data shows that credit growth inched up marginally by 8.8% for the fortnight ending 11 Oct 2019 vs 8.7% in Sep'19. However, growth was lower compared to 14.4% in the same period last year. Deposit growth was higher at 9.8% vs 9.4% in Sep'19 and 8.9% in the same period of previous year. Thus, C-D ratio fell by 60bps to 75.7% compared to last year.
- Industrial profits in China fell by (-) 5.3% in Sep'19 (steepest fall in 4 years) vs (-) 2% in Aug'19. On a CYTD basis, profits are down by (-) 2.1%, led by state owned enterprises (-9.6%). Profits of private enterprises on the other hand continue to rise (5.4%). Industry wise, sharpest decline in profits was visible in petroleum & coal (-53.5%), metal processing (-41.8%) and car manufacturing (-16.6%).
- US' trade deficit narrowed in Sep'19 to US\$ 70.4bn from US\$ 73.1bn in Aug'19, driven by both lower imports (-2.3%) and exports (-1.6%). While decline in shipments of soybean and automobile impacted exports, imports were dragged down by capital goods, motor vehicles and consumer goods. Weak data stream continued with retail inventories rising by 0.3% in Sep'19 vs (-) 0.2% fall in Aug'19. As a result, analysts estimate Q3CY19 GDP to come in at 1.7% vs 2% in Q2.

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Markets

- **Bonds:** Except India, global yields closed higher over anticipation of signing of US-China trade deal ahead of the schedule. Further, EU's grant of 3-month delay in Brexit also impacted investor sentiments. US and UK 10Y yield rose by 5bps and 4bps respectively. Oil prices fell by (-) 0.7% (US\$ 62/bbl). India's 10Y fell by 1bps (6.68%) and is trading at 6.7% today.
- **Currency:** Barring JPY and CNY, global currencies appreciated over receding fears of trade war and Brexit issues. GBP and EUR appreciated by 0.3% and 0.2% respectively. INR also appreciated by 0.2%. It is trading at its 1-month high today, tracking gains in other Asian currencies.
- **Equity:** Global indices closed higher with Shanghai Comp (0.9%) and Dow (0.5%) gaining the most. Optimism around US-China trade deal and 3-months extension for Brexit helped boost investor sentiments. Following global cues, Sensex is trading higher today, in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.84	5	4	16	(22)	(124)
UK	0.72	4	(3)	22	7	(68)
Japan	(0.12)	1	0	11	2	(23)
Germany	(0.33)	3	1	24	6	(71)
India^	6.68	(1)	(2)	(6)	27	(113)
China	3.30	5	8	15	11	(23)
2Y yields (Δ bps)						
US	1.64	3	2	1	(21)	(117)
UK	0.54	2	(1)	15	7	(18)
Japan	(0.21)	2	3	11	(0)	(9)
Germany	(0.65)	1	2	13	12	(2)
India	5.58	4	0	(22)	(46)	(197)
China#	2.63	0	7	7	5	(21)
Currencies (Δ %)						
EUR	1.1100	0.2	(0.4)	1.5	(0.4)	(2.4)
GBP	1.2863	0.3	(0.7)	4.6	5.3	0.5
JPY	108.95	(0.3)	(0.3)	(1.0)	(0.2)	3.0
AUD	0.6838	0.2	(0.4)	1.1	(0.9)	(3.1)
INR	70.89	0.2	0.4	(0.5)	(3.1)	3.5
CNY	7.0683	0	0.1	0.8	(2.5)	(1.5)
Equity & Other indices (Δ %)						
Dow	27,091	0.5	1.0	1.0	(0.5)	10.8
FTSE	7,331	0.1	2.3	(1.3)	(4.6)	4.3
DAX	12,942	0.4	1.5	4.5	4.2	14.2
NIKKEI	22,867	0.3	1.4	4.5	5.8	8.1
Shanghai Comp	2,980	0.9	1.4	1.6	1.3	17.2
SENSEX	39,058	0.1	(0.6)	0.6	3.6	14.6
Brent (US\$/bbl)	61.57	(0.7)	4.4	(0.5)	(3.4)	(20.4)
Gold (US\$/oz)	1,493	(0.8)	0.5	(0.3)	4.6	21.4
CRB Index	390.9	0.1	(0.3)	0.9	(4.0)	(6.1)
Rogers Agri Index	726.1	(0.3)	(0.1)	3.1	(1.3)	(6.5)
LIBOR (3M)*	1.93	(1)	(1)	(17)	(33)	(60)
INR 5Y Swap*	6.51	0	4	14	(6)	(112)
India FII data (US\$ mn)						
	24 Oct	23 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	(54.0)	(87.1)	(96.2)	9.4	3,982.8	3,438.2
FII-Equity	(27.3)	(21.0)	(199.8)	553.9	8,714.6	1,869.4

Source: Bloomberg, Bank of Baroda | ^7.26% GS 2029 | *Indicates change in bps | #1Y yield | Markets in India were closed on 28.10.2019

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