

## MACRO DAILY

30 July 2019

### Macro developments

- According to data released by DIPAM, in FYTD20 the government has so far collected Rs 124bn through disinvestment vs the budgetary target of Rs 1.05tn. This has been achieved via IPO of Rail Vikas Nigam Ltd. (Rs 5bn), CPSE-ETF (Rs 100bn) and enemy share sale (Rs 19bn). To meet the rest of disinvestment target (Rs 926bn), government is betting on privatisation of Air India, ETFs and strategic sale of almost 59 CPSEs.
- BoJ kept policy rate unchanged with a vote of 7-2, but signalled monetary easing in its statement on the back of downside risks to growth and for maintaining price stability. In a separate print, Japan's industrial output tanked to nearly 1.5 year low of (-) 3.6% in Jun'19 (est.: -1.8%) vs 2% in May'19 on MoM basis, confirming slowdown in line with other economies.
- China's industrial profits in Jun'19 fell by (-) 3.1% on a YoY basis vs +1.1% in May'19. In H1CY19 too, profits fell by (-) 2.4% vs (-) 2.3% between Jan-May'19. This was led by declining profits of state owned industrial firms (-8.7%). Private sector profits on the other hand held steady (6% vs 6.6% in Jan-May'19). Sector wise, auto production, chemicals, communications and electronics manufacturing industries saw sharp decline in profits.

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### Markets

- **Bonds:** Global yields closed mixed. US 10Y yield closed lower by 1bps (2.07%) ahead of Fed policy. Crude prices rose by 0.4% (US\$ 64/bbl). India's 10Y yield declined by 11bps (6.41%) as uncertainty over sovereign bond issuances eased after FM's confirmation and expectations of further accommodation in monetary policy. It was trading at 6.42% today.
- **Currency:** Except INR and EUR, other global currencies closed lower. DXY held steady at a 2-month high ahead of the Fed policy meet. GBP depreciated sharply by (-) 1.3% to near 28-month low on growing concerns over no-deal Brexit. INR is trading flat today, while other Asian currencies are trading higher.
- **Equity:** Global indices ended mixed in anticipation of rate cut decision by Fed scheduled later today. Dow (0.1%) and FTSE (1.8%) closed higher ahead of US-China trade negotiations. Sensex on the other hand fell by (-) 0.5%, dragged down by auto and metal stocks. It is however trading higher 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	2.07	(1)	2	6	(46)	(91)
UK	0.65	(3)	(5)	(18)	(50)	(69)
Japan	(0.14)	1	(1)	2	(10)	(25)
Germany	(0.39)	(2)	(5)	(6)	(39)	(84)
India	6.41	(11)	(1)	(47)	(100)	(138)
China	3.18	1	3	(5)	(25)	(34)
<b>2Y yields (Δ bps)</b>						
US	1.86	(1)	5	10	(43)	(80)
UK	0.47	(4)	(3)	(15)	(27)	(31)
Japan	(0.21)	0	(1)	1	(6)	(9)
Germany	(0.76)	(0)	1	(1)	(18)	(18)
India	6.04	(5)	(3)	(26)	(78)	(148)
China**	2.58	0	(1)	(12)	(8)	(36)
<b>Currencies (Δ %)</b>						
EUR	1.1145	0.2	(0.6)	(2.0)	(0.4)	(4.8)
GBP	1.2219	(1.3)	(2.1)	(3.8)	(5.5)	(7.0)
JPY	108.78	(0.1)	(0.8)	(0.9)	2.6	2.0
AUD	0.6902	(0.1)	(1.9)	(1.7)	(2.2)	(6.8)
INR	68.73	0.3	0.3	0.4	1.2	(0.1)
CNY	6.8934	(0.2)	(0.2)	(0.4)	(2.4)	(1.1)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	27,221	0.1	0.2	2.3	2.5	7.6
FTSE	7,687	1.8	2.3	3.5	3.3	(0.2)
DAX	12,417	0	1.0	0.2	0.7	(3.0)
NIKKEI	21,617	(0.2)	0.9	1.6	(1.4)	(4.1)
Shanghai Comp	2,941	(0.1)	1.9	(1.3)	(4.0)	2.5
SENSEX	37,686	(0.5)	(0.9)	(4.3)	(3.4)	0.5
Brent (USD/bbl)	63.71	0.4	0.7	(4.3)	(11.6)	(15.0)
Gold (USD/oz)	1,427	0.6	0.1	1.2	11.5	16.8
CRB Index	407.2	0.3	0.3	(0.2)	(3.5)	(5.8)
Rogers Agri Index	735.6	0.2	0.3	(2.1)	1.4	(9.6)
LIBOR (3M)*	2.27	1	(2)	(5)	(31)	(8)
INR 5Yr Swap*	6.57	(4)	13	(17)	(54)	(111)
<b>India FII data (US\$ mn)</b>						
	<b>26 Jul</b>	<b>25 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(191.9)	4.8	(115.7)	1,082.6	2,510.9	1,966.3
FII-Equity	436.3	77.6	(373.3)	(1,568.9)	9,770.0	2,924.8

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

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