

MACRO DAILY

31 July 2019

Macro developments

- Government has passed the code on wages bill which is expected to benefit over 500mn workers. The bill subsumes 4 labour laws including minimum wages act and equal remuneration act. Through the bill, the tripartite committee including trade unions, employers and state government will decide floor wages for workers across the country. The bill will also universalise provisions of minimum wages and timely payment to all employees, irrespective of wage ceiling and sector.
- France's Q2CY19 GDP slowed to 0.2% on a QoQ basis vs 0.3% in Q1. The more than estimated (0.3%) slowdown was mainly led by cooling down of household consumption (0.2% vs 0.4% in Q1). Government consumption on the other hand rose by 0.4% vs 0.1% in Q1. Both private and public investment also inched up. Export growth remained unchanged at 0.2%.
- Consumer confidence in the US rebounded to its 8-month high of 135.7 in Jul'19 (est.: 125) vs 124.3 in Jun'19. Both the current situation and expectation index showed improvement as consumers are optimistic about business and labour market conditions in the near term. However, economic sentiment index in the Euro Area declined by 0.6 points to 102.7 in Jul'19 with lower confidence emanating from industry and services sector.

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Markets

- **Bonds:** Except China, global yields closed lower ahead of Fed policy decision. US 10Y yield fell a tad by 1bps (2.06%). Crude prices inched up by 1.6% (US\$ 65/bbl) driven by sharper than anticipated decline in US inventories. India's 10Y yield fell by 2bps (6.39%) supported by buying from foreign and private banks. It is trading lower at 6.36% today.
- **Currency:** Global currencies closed mixed. DXY closed flat at a 2-month high ahead of Fed policy decision. GBP fell by (-) 0.5% to its lowest since Jan'17 on concerns over no-deal Brexit. INR declined by (-) 0.2% on rising oil prices. It is trading lower today, in line with other Asian currencies.
- **Equity:** Barring Nikkei and Shanghai Comp, global indices ended lower as uncertainty rose over US-China trade relations. Dax (-2.2%) lost the most. Sensex fell by (-) 0.8% led by weak corporate earnings. It 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
10Y yields (Δ bps)						
US	2.06	(1)	(2)	5	(44)	(90)
UK	0.63	(2)	(6)	(20)	(55)	(70)
Japan	(0.15)	(1)	(1)	1	(11)	(21)
Germany	(0.40)	(1)	(4)	(7)	(41)	(84)
India	6.39	(2)	(7)	(49)	(102)	(138)
China	3.18	0	2	(5)	(22)	(31)
2Y yields (Δ bps)						
US	1.85	(1)	1	9	(42)	(82)
UK	0.45	(2)	(5)	(17)	(32)	(32)
Japan	(0.21)	0	(1)	1	(6)	(10)
Germany	(0.76)	0	2	(1)	(17)	(19)
India	6.04	0	(3)	(26)	(78)	(146)
China**	2.58	0	(1)	(5)	(8)	(28)
Currencies (Δ %)						
EUR	1.1155	0.1	0	(1.9)	(0.5)	(4.6)
GBP	1.2152	(0.5)	(2.3)	(4.3)	(6.8)	(7.4)
JPY	108.61	0.2	(0.4)	(0.7)	2.5	2.9
AUD	0.6872	(0.4)	(1.9)	(2.1)	(2.5)	(7.4)
INR	68.86	(0.2)	0.1	0.2	1.0	(0.5)
CNY	6.8845	0.1	(0.1)	(0.3)	(2.2)	(1.0)
Equity & Other indices (Δ %)						
DOW	27,198	(0.1)	(0.6)	2.2	2.3	7.0
FTSE	7,647	(0.5)	1.2	3.0	3.1	(1.3)
DAX	12,147	(2.2)	(2.8)	(2.0)	(1.6)	(5.1)
NIKKEI	21,709	0.4	0.4	2.0	(2.5)	(3.7)
Shanghai Comp	2,952	0.4	1.8	(0.9)	(4.1)	2.6
SENSEX	37,397	(0.8)	(1.5)	(5.1)	(4.2)	(0.6)
Brent (USD/bbl)	64.72	1.6	1.4	(2.7)	(11.1)	(12.8)
Gold (USD/oz)	1,431	0.3	0.9	1.5	11.5	16.9
CRB Index	404.9	(0.6)	(0.6)	(0.7)	(4.1)	(6.5)
Rogers Agri Index	730.0	(0.8)	(0.7)	(2.8)	1.1	(10.9)
LIBOR (3M)*	2.26	(1)	(2)	(6)	(32)	(9)
INR 5Yr Swap*	6.59	1	13	(15)	(52)	(107)
India FII data (US\$ mn)						
	29 Jul	26 Jul	WTD	MTD	CYTD	FYTD
FII-Debt	(17.5)	(191.9)	(17.5)	1,065.2	2,493.4	1,948.8
FII-Equity	(54.3)	436.3	(54.3)	(1,623.1)	9,715.7	2,870.5

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

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