

## MACRO DAILY

04 September 2019

### Macro developments

- According to news reports, state governments are expected to suggest measures to help curtail lower prices that arise due to surplus stock of sugar. The cabinet has already hiked the ethanol price for 'C' and 'B' heavy molasses which will be procured by state oil marketing companies. Previously, the central government had also approved export subsidy to the tune of Rs 10,448/mt to sugar mills.
- US ISM manufacturing PMI fell for the first time in 3 years to 49.1 in Aug'19 vs 51.2 in Jul'19. The sharp fall was led by decline in new orders (47.2 vs 50.8 in Jul'19), in particular new export orders (lowest since Apr'09), and job cuts (47.4 vs 51.7). This indicates manufacturing sector growth continues to remain worrisome, thereby adding fuel to recession woes.
- Reserve Bank of Australia kept its policy rate unchanged at a historic low of 1%, after two consecutive rate cuts (25bps each). Global trade disputes and lower domestic consumption continue to weigh on growth outlook. Separately, GDP growth in Australia slowed to a 10 year low at 1.4% in Q2CY19 on a YoY basis (1.7% in Q1) led by weaker consumer spending.

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### Markets

- Bonds:** Global yields closed lower as fear of recession aggravated with contraction in US ISM manufacturing index. US10Y yield fell by (-) 4bps (1.46%). Crude prices fell by (-) 0.7% (US\$ 58/bbl) as US-China trade tensions continued. India's 10Y yield also fell by (-) 4bps (6.52%) as 25-quarter low growth in Q1FY20 raised hopes of additional stimulus measures. It is trading at 6.51% today.
- Currency:** Global currencies closed mixed. While CNY and INR closed lower, EUR closed flat. DXY rose by 0.1%. INR depreciated by (-) 0.7% to its weakest since Nov'18, on the back of weak GDP and manufacturing data. It opened higher today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp and Nikkei, other global indices closed lower. Weak PMI data from the US, implementation of higher tariffs on Chinese goods, and rising political tensions surrounding Brexit, dragged investor sentiments down. However, Asian markets are trading higher today, while Sensex is trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.46	(4)	(1)	(25)	(67)	(144)
UK	0.41	(1)	(10)	(11)	(50)	(102)
Japan	(0.28)	(2)	(2)	(9)	(18)	(41)
Germany	(0.71)	0	(1)	(19)	(50)	(106)
India	6.52	(4)	(1)	13	(50)	(154)
China	3.07	(1)	2	0	(17)	(55)
<b>2Y yields (Δ bps)</b>						
US	1.45	(5)	(7)	(12)	(43)	(120)
UK	0.33	0	(5)	(10)	(27)	(41)
Japan	(0.29)	1	1	(8)	(10)	(18)
Germany	(0.91)	2	(3)	(10)	(27)	(33)
India	5.68	(11)	(9)	(29)	(73)	(216)
China#	2.58	0	0	6	6	(26)
<b>Currencies (Δ %)</b>						
EUR	1.0974	0	(1.0)	(2.0)	(2.5)	(5.2)
GBP	1.2081	0.1	(1.7)	(0.5)	(4.9)	(6.0)
JPY	105.94	0.3	(0.2)	0	2.0	4.9
AUD	0.6760	0.7	0.1	0.1	(3.3)	(5.8)
INR	72.39	(1.4)	(1.3)	(2.3)	(4.5)	(1.1)
CNY	7.1789	(0.1)	(0.2)	(1.8)	(3.9)	(4.9)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,118	(1.1)	1.3	1.6	3.1	0.6
FTSE	7,268	(0.2)	2.5	0.6	0.7	(2.5)
DAX	11,911	(0.4)	1.5	2.2	(0.5)	(2.5)
NIKKEI	20,625	0	0.8	(0.5)	1.1	(9.1)
Shanghai Comp	2,930	0.2	1.0	3.9	2.4	6.5
SENSEX	36,563	(2.1)	(2.9)	(0.4)	(8.8)	(4.2)
Brent (US\$/bbl)	58.26	(0.7)	(2.1)	(2.6)	(6.0)	(25.5)
Gold (US\$/oz)	1,547	1.2	0.3	5.7	16.7	29.8
CRB Index	386.4	(0.2)	(0.9)	(3.3)	(7.0)	(6.0)
Rogers Agri Index	676.9	(0.9)	(0.9)	(4.5)	(10.3)	(13.5)
LIBOR (3M)*	2.14	1	2	(7)	(34)	(19)
INR 5Y Swap*	6.06	(10)	(12)	(50)	(59)	(142)
<b>India FII data (US\$ mn)</b>						
	<b>30 Aug</b>	<b>29 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	82.7	102.2	604.0	1,593.2	4,247.2	3,702.5
FII-Equity	80.1	(87.1)	(428.8)	(2,198.5)	7,206.1	360.9

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

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