

## MACRO DAILY

05 August 2019

### Macro developments

- India's forex reserves declined to US\$ 429.6 from a lifetime high of US\$ 430.4bn in the week ending 26 Jul 2019. On a weekly basis, forex reserves fell by (-) US\$ 727mn compared with an increase of US\$ 1.6bn last week. In FYTD20, forex reserves have increased by US\$ 18bn vs a decline of (-) US\$ 20bn last year.
- US non-farm payroll increased by 164,000 in Jul'19 (est.: 164,000) vs 224,000 in Jun'19. Average hourly earnings rose by 0.3% in Jul'19 on MoM basis (0.2% in Jun'19). Labour force participation rate increased to 63% and unemployment rate was at 3.7% in Jul'19. Separately, US factory orders rose by 0.6% in Jun'19 (- 1.3% in May'19) led by demand for machinery and transportation equipment. Non-defence capital goods excl. aircraft, a proxy of business spending moderated (1.5% in Jun'19 vs 1.9% in May'19).
- Euro Area (EA) retail sales rose by 1.1% in Jun'19 on a MoM basis vs (-) 0.6% in May'19. Improvement was seen across all segments, in particular, textile, clothing & footwear (3.5% vs -1.1% in May'19) and pharma goods (0.8% vs 0.1% in May'19). Separately, EA PPI fell further in Jun'19 (-0.6%) vs (-) 0.1% in May'19, driven by sharp decline in international oil prices. Core PPI fell only marginally in Jun'19 (0% vs 0.1% in May'19).

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### Markets

- Bonds:** Global yields closed lower. US 10Y yield fell by 5bps (1.85%) as trade war apprehensions and moderate slowdown in non-farm employment escalated demand for sovereign bond. Crude prices rose by 2.3% (US\$ 62/bbl) supported by drawdown in US inventories. India's 10Y yield declined by 7bps (6.35%) taking global cues. It is trading higher at 6.40% today.
- Currency:** Except CNY and INR, other global currencies closed higher. DXY fell by (-) 0.3% owing to revival in US-China trade tensions and decline in US non-farm payrolls. With 2.3% rise in crude prices, INR fell by (-) 0.8%. It is trading lower today in line with other Asian currencies.
- Equity:** Barring Sensex, global indices ended lower on the back of renewed trade tensions after US announced new tariffs on China yet again. European indices tumbled, followed by Nikkei (-2.1%) and Dow (-0.4%). Sensex on the other hand rebounded (0.3%) pushed up by auto and tech stocks. However, 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
<b>10Y yields (Δ bps)</b>						
US	1.85	(5)	(23)	(13)	(68)	(110)
UK	0.55	(4)	(14)	(17)	(67)	(78)
Japan	(0.16)	(3)	(2)	(2)	(12)	(27)
Germany	(0.50)	(5)	(12)	(13)	(52)	(90)
India	6.35	(7)	(17)	(49)	(104)	(141)
China	3.10	(5)	(7)	(7)	(30)	(36)
<b>2Y yields (Δ bps)</b>						
US	1.71	(2)	(14)	(5)	(62)	(93)
UK	0.44	(1)	(5)	(9)	(36)	(31)
Japan	(0.20)	(2)	1	1	(5)	(9)
Germany	(0.79)	(1)	(4)	(3)	(20)	(20)
India	5.95	(6)	(14)	(30)	(82)	(154)
China	2.55	(1)	(4)	(5)	(12)	(22)
<b>Currencies (Δ %)</b>						
EUR	1.1108	0.2	(0.2)	(1.6)	(0.8)	(4.0)
GBP	1.2162	0.3	(1.8)	(3.4)	(7.7)	(6.5)
JPY	106.59	0.7	1.9	1.2	4.1	4.2
AUD	0.6801	0	(1.6)	(2.8)	(3.1)	(8.1)
INR	69.61	(0.8)	(1.0)	(1.0)	(0.6)	(1.5)
CNY	6.9405	(0.6)	(0.9)	(1.0)	(3.1)	(1.7)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	26,485	(0.4)	(2.6)	(1.1)	(0.1)	4.0
FTSE	7,407	(2.3)	(1.9)	(2.0)	0.4	(3.3)
DAX	11,872	(3.1)	(4.4)	(5.2)	(4.4)	(5.9)
NIKKEI	21,087	(2.1)	(2.6)	(3.1)	(5.3)	(6.4)
Shanghai Comp	2,868	(1.4)	(2.6)	(5.8)	(6.8)	4.6
SENSEX	37,118	0.3	(2.0)	(6.8)	(4.7)	(1.2)
Brent (USD/bbl)	61.89	2.3	(2.5)	(0.8)	(12.6)	(15.5)
Gold (USD/oz)	1,441	(0.3)	1.5	1.6	12.6	18.6
CRB Index	400.4	(0.4)	(1.4)	(0.8)	(4.4)	(6.3)
Rogers Agri Index	710.7	(0.2)	(3.2)	(4.2)	(1.4)	(13.0)
LIBOR (3M)*	2.29	2	2	(3)	(27)	(6)
INR 5Yr Swap*	6.56	(4)	(6)	(18)	(68)	(108)
<b>India FII data (US\$ mn)</b>						
	<b>1 Aug</b>	<b>31 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(159.2)	123.5	(16.1)	(159.2)	2,494.8	1,950.2
FII-Equity	(169.0)	(212.9)	(534.3)	(169.0)	9,235.7	2,390.5

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps

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