

**MACRO DAILY**

09 August 2019

**Macro developments**

- RBI's consumer confidence dropped to 95.7 in Jul'19 (lowest since Dec'18) vs 97.3 in May'19. The survey signalled consumers' sentiments turned less optimistic on the overall economic situation as well as on the employment situation. This comes at a time when the RBI trimmed its growth forecast for FY20 and concerns of slowdown in global economy remained escalated.
- Central Bank of Philippines reduced policy rate by 25bps to 4.25% in its latest meeting. In CYTD19, it has reduced policy rates by 50bps. This has been on the back of downside risks to growth. The policy also highlighted that inflation would be within the target of  $3\pm 1\%$  for 2019 to 2021.
- China's exports rose for the first time since Mar'19 by 3.3% in Jul'19 vs a decline of (-) 1.3% in Jun'19 and estimate of a (-) 0.2% decline. China's exports to US shrunk by (-) 6.5% while imports also fell by (-) 19.1% amidst heightened trade tensions. Apart from Europe, exports to ASEAN countries picked up in Jul'19 suggesting that China is looking to tap other markets for its products. Imports declined by (-) 5.6% vs (-) 7.3% in Jun'19 (est. -8.3%) as domestic demand remains muted.

**Jahnavi | Sameer Narang**

chief.economist@bankofbaroda.com

**Markets**

- **Bonds:** Barring Japan and China, global yields closed higher amidst trade tensions. US 10Y yield rose by 1bps (1.72%) as labour market remained buoyant. Crude prices rose by 2% (US\$ 57/bbl) as media reports suggested more supply cut from OPEC. India's 10Y yield increased by 3bps (6.4%) led by selling from private banks and PSBs. It is trading at 6.41% today.
- **Currency:** Except EUR and GBP, other global currencies closed higher. Positive trade data in China and strengthening CNY buoyed sentiments. INR rose by 0.3% on reports that the government may roll back surcharge on FPIs. It opened higher today, in line with other Asian currencies.
- **Equity:** Global indices closed higher after China's better than expected trade data boosted investors' sentiments. Both Sensex and Dax rose by 1.7% each followed by Dow (1.4%). Sensex rose on the back of possible roll back of higher taxes on FPIs (proposed in the budget) and DII inflows of Rs 2.9bn. It is trading even higher today, while Asian stocks are trading mixed.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.72	1	(17)	(33)	(72)	(121)
UK	0.52	4	(7)	(19)	(60)	(77)
Japan	(0.19)	0	(6)	(5)	(15)	(31)
Germany	(0.56)	2	(11)	(19)	(51)	(94)
India	6.40	3	(2)	(16)	(99)	(134)
China	3.05	0	(10)	(14)	(26)	(50)
<b>2Y yields (Δ bps)</b>						
US	1.62	1	(12)	(27)	(64)	(103)
UK	0.47	2	2	(8)	(27)	(26)
Japan	(0.24)	(1)	(5)	(3)	(8)	(13)
Germany	(0.85)	0	(8)	(11)	(23)	(24)
India	5.85	(2)	(16)	(27)	(88)	(160)
China	2.52	0	(3)	(6)	(8)	(22)
<b>Currencies (Δ %)</b>						
EUR	1.1180	(0.2)	0.9	(0.3)	(0.3)	(3.0)
GBP	1.2133	(0.1)	0	(3.1)	(6.8)	(5.4)
JPY	106.07	0.2	1.2	2.4	3.3	4.5
AUD	0.6802	0.7	0	(2.4)	(2.7)	(7.7)
INR	70.70	0.3	(2.4)	(3.0)	(1.1)	(2.9)
CNY	7.0451	0.2	(2.1)	(2.4)	(3.2)	(3.3)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	26,378	1.4	(0.8)	(1.6)	2.1	3.4
FTSE	7,286	1.2	(3.9)	(3.5)	1.1	(5.9)
DAX	11,845	1.7	(3.3)	(5.6)	(1.1)	(6.6)
NIKKEI	20,593	0.4	(4.4)	(4.4)	(3.8)	(8.9)
Shanghai Comp	2,795	0.9	(3.9)	(4.7)	(2.0)	0
SENSEX	37,327	1.7	0.8	(3.6)	(0.6)	(1.8)
Brent (USD/bbl)	57.38	2.0	(5.2)	(10.5)	(18.5)	(20.4)
Gold (USD/oz)	1,501	0	3.9	7.6	16.9	23.8
CRB Index	400.8	1.2	(0.3)	(1.0)	(2.9)	(5.5)
Rogers Agri Index	712.9	1.1	0.1	(4.3)	1.6	(12.7)
LIBOR (3M)*	2.18	0	(10)	(15)	(35)	(15)
INR 5Yr Swap*	6.28	(9)	(32)	(23)	(81)	(132)
<b>India FII data (US\$ mn)</b>						
	<b>7 Aug</b>	<b>6 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	153.3	(44.0)	94.2	79.7	2,733.7	2,189.0
FII-Equity	(72.1)	(263.6)	(644.3)	(1,229.6)	8,175.0	1,329.8

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

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### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)