

MACRO DAILY

09 October 2019

Macro developments

- According to National Bulk Handling Corporation (NHBC), foodgrain production is expected to be higher by 8.4mn tonne (140.57mn tonne in AY20) from its average output in the past 5 years. Widespread rains have boosted the sown area of pulses, cotton, sugarcane along with marginal improvement seen in paddy. However, production for some crops might be lower due to floods in the growing areas.
- US PPI declined by (-) 0.3% in Sep'19 (est. +0.1%) vs an increase of 0.1% in Aug'19 on a MoM basis. This was led by lower prices for both goods (-0.4%) and services (-0.2%). Core PPI (ex. volatile food, energy and trade services) was unchanged after increasing 0.4% in Aug'19. The data raises hopes of a rate cut by Fed amidst slowing global and domestic growth.
- Germany's industrial production in Aug'19 rose by 0.3% on a MoM basis vs (-) 0.4% in Jul'19. The surprise jump (est.: -0.1%) was driven by manufacturing production (0.7% vs -0.5% in Jul'19), mainly intermediate and capital goods. Core production data (ex-energy and construction) too improved (0.7% vs -0.6%). US-China trade tensions, auto sector crisis and Brexit woes have impacted Germany's industrial sector.

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Markets

- **Bonds:** Apart from Japan, other major global yields closed lower. US 10Y yield fell by 3bps (1.53%) led by lower US PPI and escalation in US-China trade tensions. Crude prices fell by (-) 0.2% to US\$ 58.2/bbl. India's 10Y yield is trading lower at 6.65% today.
- **Currency:** Except CNY and JPY, other global currencies closed lower as US-China trade tensions re-emerged. DXY and JPY rose on safe-haven demand. GBP fell by (-) 0.6% on reports of a deadlock in Brexit negotiations. Tracking other Asian currencies, INR is trading lower today.
- **Equity:** Barring Nikkei and Shanghai Comp, global indices closed lower led by uncertainty over the ongoing US-China trade negotiations. Amongst other indices Dow (-1.2%) dropped the most followed by Dax (-1.1%). Sensex is trading higher today; while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.53	(3)	(11)	(11)	(54)	(168)
UK	0.42	(4)	(5)	(18)	(30)	(130)
Japan	(0.20)	2	(5)	5	(6)	(36)
Germany	(0.59)	(2)	(3)	(1)	(24)	(114)
India	6.68	(1)	1	10	9	(140)
China	3.11	(3)	(1)	8	(6)	(52)
2Y yields (Δ bps)						
US	1.42	(4)	(13)	(17)	(49)	(147)
UK	0.32	(3)	(2)	(12)	(23)	(60)
Japan	(0.32)	1	(4)	(1)	(12)	(20)
Germany	(0.78)	(1)	(2)	7	(5)	(26)
India	5.66	2	(4)	(5)	(50)	(214)
China#	2.56	0	2	(3)	(3)	(36)
Currencies (Δ %)						
EUR	1.0957	(0.1)	0.2	(0.8)	(2.2)	(4.6)
GBP	1.2219	(0.6)	(0.7)	(1.0)	(2.0)	(7.0)
JPY	107.09	0.2	0.6	0.1	1.6	5.2
AUD	0.6728	(0.1)	0.4	(2.0)	(2.9)	(5.3)
INR	71.02	(0.2)	0.1	1.0	(3.6)	4.5
CNY	7.1444	0.1	(0.4)	(0.3)	(3.7)	(3.2)
Equity & Other indices (Δ %)						
Dow	26,164	(1.2)	(1.5)	(2.5)	(2.3)	(1.0)
FTSE	7,143	(0.8)	(3.0)	(1.3)	(5.2)	(1.3)
DAX	11,970	(1.1)	(2.4)	(2.1)	(3.7)	(0.1)
NIKKEI	21,588	1.0	(1.4)	1.3	0.1	(8.0)
Shanghai Comp	2,914	0.3	(2.4)	(3.7)	(0.5)	7.1
SENSEX	37,532	(0.4)	(2.0)	1.0	(3.1)	9.4
Brent (US\$/bbl)	58.24	(0.2)	(1.1)	(6.9)	(9.2)	(31.5)
Gold (US\$/oz)	1,506	0.8	1.8	0.4	7.7	26.5
CRB Index	385.9	0.3	(0.4)	0.5	(3.9)	(7.7)
Rogers Agri Index	715.9	0.8	0.3	5.9	(3.1)	(9.0)
LIBOR (3M)*	2.01	(2)	(8)	(13)	(33)	(41)
INR 5Y Swap*	6.29	0	(9)	21	(19)	(160)
India FII data (US\$ mn)						
	4 Oct	3 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	109.0	(12.2)	(28.9)	17.7	3,991.1	3,446.4
FII-Equity	(123.8)	(156.4)	(539.1)	(496.9)	7,663.9	818.7

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield | Note: Markets in India were closed on 8 Oct 2019.

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