

MACRO DAILY

13 August 2019

Macro developments

- As per news reports, government is aiming to launch new crop insurance scheme which will maximise benefits under Pradhan Mantri Fasal Bima Yojana (PMFBY). A voluntary risk-pooling system will be created where government will have control in deciding the premium and fixing pay outs. Insurance companies would only be restricted to administrative functioning. Centre has also suggested a premium ceiling of 25% (for irrigated area more than 50% of total) & 30% (for irrigated area less than 50%).
- New loans issued in China fell from 1.7tn Yuan in Jun'19 to 1.1tn Yuan in Jul'19 (est.: 1.3tn Yuan). While seasonality explains part of the decline, weakness in the credit market also continues to persist as domestic demand fades and US-China trade war intensifies. Key concerns are household loans, particularly mortgage (511.2bn Yuan in Jul'19 vs 671.7bn Yuan in Jun'19), and corporate loans (297.4bn Yuan vs 910.5bn Yuan in Jun'19).
- Singapore slashed its growth forecast for CY19 to 0-1% from 1.5-2.5% earlier. This is led by concerns surrounding US-China tariff war, Japan-Korea trade dispute, Brexit, and muted growth in China. GDP in Q2CY19 also rose at a subdued pace of 0.1% vs 1.1% in Q1CY19. On an annualised QoQ basis, GDP contracted by (-) 3.3% vs growth of 3.8% in Q1CY19.

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Markets

- Bonds:** Global yields closed mixed amidst political tensions in Hong Kong and Argentina. US 10Y yield fell by 10bps (1.65%) on account of global growth worries. Crude prices edged up marginally by 0.1% (US\$ 59/bbl) as Saudi Arabia may keep its oil exports below 7mn bbl/day in Aug and Sep 2019. India's 10Y yield is trading at 6.53% today, ahead of CPI data release.
- Currency:** Barring AUD, global currencies closed higher. DXY fell by (-) 0.1%. JPY rose by 0.4% as investors hedge against market volatility in Argentina and prolonged US-China trade tensions. Following global cues, INR is trading near 6-month low of 71/USD. Asian currencies are also trading lower today.
- Equity:** Global indices closed mixed. US & European markets fell on the back of intensification of US-China trade war, weaker Yuan and political tensions in Hong Kong. Asian markets are trading lower (mainly dragged by Cathay Pacific) and following global cues. Sensex too is trading in red.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.65	(10)	(6)	(48)	(76)	(123)
UK	0.49	1	(2)	(35)	(61)	(76)
Japan	(0.22)	0	(3)	(10)	(17)	(32)
Germany	(0.59)	(2)	(8)	(38)	(52)	(90)
India**	6.50	9	15	(4)	(92)	(126)
China	3.03	0	(4)	(13)	(25)	(57)
2Y yields (Δ bps)						
US	1.58	(6)	1	(26)	(60)	(103)
UK	0.44	0	1	(15)	(27)	(26)
Japan	(0.27)	0	(5)	(9)	(11)	(15)
Germany	(0.88)	(2)	(7)	(16)	(25)	(23)
India**	5.85	0	(10)	(36)	(93)	(161)
China	2.52	0	(3)	(7)	(9)	(27)
Currencies (Δ %)						
EUR	1.1214	0.1	0.1	(0.5)	(0.1)	(1.7)
GBP	1.2076	0.4	(0.6)	(3.9)	(6.8)	(5.4)
JPY	105.30	0.4	0.6	2.4	3.7	4.9
AUD	0.6752	(0.5)	(0.1)	(3.8)	(2.8)	(7.1)
INR**	70.79	(0.1)	(1.7)	(3.2)	(1.3)	(2.8)
CNY	7.0578	0.1	(0.1)	(2.6)	(2.6)	(2.4)
Equity & Other indices (Δ %)						
DOW	25,898	(1.5)	0.7	(5.2)	2.3	2.8
FTSE	7,227	(0.4)	0	(3.7)	0.9	(5.4)
DAX	11,680	(0.1)	0.2	(5.2)	(1.7)	(5.5)
NIKKEI	20,685	0.4	(1.9)	(3.9)	(3.1)	(7.2)
Shanghai Comp	2,815	1.5	(0.2)	(3.9)	(3.1)	1.0
SENSEX**	37,582	0.7	1.2	(2.5)	0.3	(0.8)
Brent (USD/bbl)	58.57	0.1	(2.1)	(12.2)	(16.6)	(19.3)
Gold (USD/oz)	1,511	0.9	3.2	6.7	16.3	26.6
CRB Index	397.8	(0.8)	(0.4)	(1.9)	(2.6)	(5.1)
Rogers Agri Index	697.2	(2.3)	(1.6)	(7.2)	0.2	(11.9)
LIBOR (3M)*	2.18	(1)	(6)	(16)	(35)	(14)
INR 5Yr Swap*	6.37	4	(19)	(21)	(72)	(112)
India FII data (US\$ mn)						
	8 Aug	7 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	72.2	153.3	166.5	152.0	2,805.9	2,261.3
FII-Equity	(150.4)	(72.1)	(794.7)	(1,380.0)	8,024.6	1,179.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps| **Indian markets were closed on 12.08.2019 for public holiday

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