

## MACRO DAILY

15 July 2019

### Macro developments

- India's forex reserves rose to a lifetime high of US\$ 429.9bn in the week ending 5 Jul 2019. On a weekly basis, forex reserves rose by US\$ 2.2bn vs an increase of US\$ 1.3bn last week. In CYTD19, forex reserves have increased by US\$ 36.5bn vs a decline of (-) US\$ 3.6bn last year.
- Industrial production in Euro Area rose by 0.9% (est: 0.2%) in May'19 vs decline of (-) 0.4% in Apr'19, on MoM basis. The increase was led by capital and consumer goods production. Similar trend was visible for EU28 as well, where industrial production rose by 0.8% in May'19 vs (-) 0.6% in Apr'19.
- China's macro data presents mixed picture of economic growth in Q2CY19. While its GDP growth slowed to 6.2% (27-year low) vs 6.4% in Q1, industrial production (6.3% vs 5% in May'19) and retail sales (9.8% vs 8.6% in May'19) data for Jun'19 surprised positively. FAI growth also improved in Jun'19 (5.8% in H1CY19 vs est.: 5.5%), led by private sector investment (5.7% in H1CY19 vs 5.3% in Jan-May'19). Its export growth however continues to remain a concern as it fell by (-) 1.3% in Jun'19 vs est.: (-) 2%.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield closed lower by 2bps (2.12%) as Fed chair and Chicago Fed president both sounded dovish regarding future course of fed fund rate. Crude prices firmed up by 0.3% (US\$ 67/bbl) on account of fall in US rig count for the second straight week. India's 10Y edged down by 1bps (6.49%). It was trading lower at 6.47% today, despite higher inflation print in Jun'19.
- Currency:** Except INR and CNY, global currencies closed higher. DXY fell by (-) 0.2% on growing expectations of a rate cut by Fed. AUD and JPY rose by 0.7% and 0.5% respectively. INR depreciated by (-) 0.4% on the back of higher crude prices. It opened higher today in line with other Asian currencies.
- Equity:** Barring Sensex and European indices, other global indices ended higher. Dow gained by 0.9% on the back of Fed chair hinting at a rate cut in his testimony. Sensex slipped back into red (-0.2%) dragged lower by private banking stocks. However, it is trading higher 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	2.12	(2)	9	0	(44)	(72)
UK	0.84	0	10	(3)	(38)	(45)
Japan	(0.11)	2	4	0	(6)	(15)
Germany	(0.21)	2	15	3	(27)	(57)
India	6.49	(1)	(21)	(53)	(92)	(129)
China	3.16	(2)	(2)	(13)	(20)	(37)
<b>2Y yields (Δ bps)</b>						
US	1.85	(2)	(1)	(3)	(54)	(74)
UK	0.59	(2)	3	(2)	(19)	(15)
Japan	(0.18)	1	3	1	(2)	(5)
Germany	(0.72)	1	3	(4)	(16)	(8)
India	6.18	(1)	1	(12)	(50)	(140)
China	2.57	0	0	4	13	(50)
<b>Currencies (Δ %)</b>						
EUR	1.1270	0.1	0.4	(0.2)	(0.3)	(3.4)
GBP	1.2572	0.4	0.4	(0.9)	(3.8)	(4.8)
JPY	107.91	0.5	0.5	0.5	3.7	4.1
AUD	0.7020	0.7	0.6	1.3	(2.1)	(5.2)
INR	68.68	(0.4)	(0.4)	1.0	0.7	(0.2)
CNY	6.8808	(0.2)	0.2	0.5	(2.6)	(3.2)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	27,332	0.9	1.5	5.1	3.5	9.7
FTSE	7,506	(0.1)	(0.6)	1.9	0.9	(1.9)
DAX	12,323	(0.1)	(2.0)	1.7	2.7	(1.4)
NIKKEI	21,686	0.2	(0.3)	2.6	(0.8)	(2.3)
Shanghai Comp	2,931	0.4	(2.7)	0.7	(8.1)	3.3
SENSEX	38,736	(0.2)	(2.0)	(2.6)	(0.1)	6.0
Brent (USD/bbl)	66.72	0.3	3.9	11.3	(6.8)	(10.4)
Gold (USD/oz)	1,416	0.9	1.2	6.2	9.7	13.5
CRB Index	405.6	0.2	0.4	(1.8)	(4.8)	(7.0)
Rogers Agri Index	751.4	0.6	0.7	(0.6)	0.1	(4.6)
LIBOR (3M)*	2.32	2	1	(11)	(28)	(2)
INR 5Yr Swap*	6.58	0	(4)	(11)	(15)	(115)
<b>India FII data (US\$ mn)</b>						
	<b>11 Jul</b>	<b>10 Jul</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	87.9	(75.2)	479.3	965.4	2,393.7	1,849.1
FII-Equity	(25.9)	(67.1)	(268.5)	(636.8)	10,702.0	3,856.8

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

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