

## MACRO DAILY

27 August 2019

### Macro developments

- The Bimal Jalan Committee on Economic Capital Framework (ECF) recommended that realised gains can be distributed while unrealised gains cannot be (Rs 7tn as on 31 Jun'18). Realised gains have been referred as Contingent Risk Buffer and recommended at 5.5% to 6.5% of RBI's balance sheet. The surplus distribution policy will target only realised equity in the range of 6.5-5.5% and net surplus thereafter to be distributed.
- As per recommendation of Jalan Committee, RBI's Central Board decided to transfer Rs 1.76tn to the government comprising Rs 1.23tn surplus and Rs 526bn of excess provisions (5.5% of balance sheet) identified as per ECF. This is nearly twice the amount estimated in the Budget. Out of Rs 1.76tn, Rs 280bn has been transferred as interim dividend by RBI in Feb'19. The amount will help the government meet its FY20 capex target of Rs 3.38tn.
- Germany's Ifo business climate index fell from 95.8 in Jul'19 to 94.3 in Aug'19. The decline was led by manufacturing (-6.1) and trade (-2.4). Morale of services sector too deteriorated sharply (13 vs 18 in Jul'19). Future business index reflects pessimism across the board, with confidence in manufacturing sector at levels last seen during crisis of 2009.

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### Markets

- Bonds:** Global yields closed mixed amidst varied macro signals. US 10Y yield closed stable (1.54%). Crude prices fell by (-) 1.1% (US\$ 59/bbl). India's 10Y yield declined by (-) 9bps (6.48%) supported by government's economic measures. It is trading further lower at 6.43% today on account of higher surplus transfer by RBI.
- Currency:** Barring AUD, other global currencies closed lower. DXY rose by 0.5% as US-China worked on solving their trade dispute. CNY fell by (-) 0.8% to an 11-year low. INR fell by (-) 0.5% to the lowest since Nov'18. It is trading higher today while other Asian currencies are trading mixed.
- Equity:** Global indices closed mixed. Dow rose by 1.1% as President Trump indicated resumption in US-China trade talks. Sensex too rose (2.2%), supported by domestic measures and is trading further higher today. Following global cues, Asian markets are also trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.54	0	(7)	(54)	(79)	(131)
UK	0.48	0	1	(21)	(48)	(80)
Japan	(0.26)	(3)	(4)	(12)	(20)	(36)
Germany	(0.67)	1	(2)	(29)	(52)	(104)
India	6.48	(9)	(11)	(4)	(69)	(141)
China	3.05	(2)	3	(12)	(30)	(59)
<b>2Y yields (Δ bps)</b>						
US	1.54	1	(1)	(31)	(63)	(110)
UK	0.45	0	(4)	(4)	(19)	(27)
Japan	(0.31)	(2)	(4)	(10)	(16)	(20)
Germany	(0.90)	0	0	(15)	(25)	(32)
India	5.75	(5)	(10)	(35)	(80)	(178)
China#	2.58	(1)	6	0	(2)	(29)
<b>Currencies (Δ %)</b>						
EUR	1.1102	(0.4)	0.2	(0.2)	(0.8)	(4.9)
GBP	1.2217	(0.4)	0.8	(1.3)	(3.6)	(5.2)
JPY	106.12	(0.7)	0.5	2.4	3.1	4.5
AUD	0.6775	0.3	0.2	(2.0)	(2.1)	(7.8)
INR	72.02	(0.5)	(0.8)	(4.5)	(3.6)	(2.7)
CNY	7.1512	(0.8)	(1.4)	(3.9)	(3.7)	(4.9)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	25,899	1.1	(0.9)	(4.8)	2.2	(0.6)
FTSE	7,095	(0.5)	(1.3)	(6.0)	(2.4)	(6.9)
DAX	11,658	0.4	(0.5)	(6.1)	(3.4)	(7.0)
NIKKEI	20,261	(2.2)	(1.5)	(6.5)	(4.4)	(11.1)
Shanghai Comp	2,864	(1.2)	(0.7)	(2.7)	(1.0)	3.0
SENSEX	37,494	2.2	0.2	(1.0)	(5.5)	(3.1)
Brent (US\$/bbl)	58.70	(1.1)	(1.7)	(7.5)	(16.3)	(23.0)
Gold (US\$/oz)	1,527	0	2.1	7.6	18.8	26.1
CRB Index	391.9	(0.2)	(1.2)	(3.5)	(6.1)	(5.1)
Rogers Agri Index	684.1	0.5	(0.6)	(6.8)	(8.3)	(12.6)
LIBOR (3M)*	2.14	1	(1)	(12)	(38)	(17)
INR 5Y Swap*	6.16	(11)	(14)	(46)	(68)	(135)
<b>India FII data (US\$ mn)</b>						
	<b>23 Aug</b>	<b>22 Aug</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(162.6)	363.0	735.3	989.2	3,643.1	3,098.5
FII-Equity	(255.0)	(179.9)	(675.0)	(1,769.7)	7,634.9	789.7

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | #1Y yield

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