

MACRO DAILY

30 September 2019

Macro developments

- Government has reviewed the progress in capex spending in H1FY20. Till Aug'19, 42% of total capex has been spent. As per the Union Budget, Rs 3.39tn has been allocated as GBS (vs Rs 3.17tn in FY19RE) and Rs 5.38tn as IEBR (vs Rs 6.13tn in FY19RE) for capex. Government has also asked ministries to provide their capex plans for the next 4-quarters. Further, it has said that around 90% of outstanding GST dues have been cleared.
- Industrial profits in China declined by (-) 2% in Aug'19 after an increase of 2.6% in Jul'19. This was led by a drop in sales and producer prices as well as the impact of typhoons. In CYTD19, industrial profits fell by (-) 1.7% with profits in state owned enterprises falling by (-) 8.6%. Sector wise, car manufacturing industries recorded a steep decline of (-) 19% between Jan-Aug'19 amidst the US-China trade war.
- US new durable goods orders rose by only 0.2% in Aug'19 from 2% in Jul'19. Reflecting weaker demand for electrical equipment, computers and appliances, orders for non-defense capital goods excluding aircraft moderated by 0.2% in Aug'19. However, inventories of manufactured durable goods rose by 0.3%, led by transportation equipment (1.2%).

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed amidst muted US durable goods orders, subdued industrial profits in China and easing concerns over trade war. US 10Y yield fell by 1bps (1.68%). Crude prices declined by (-) 1.3% (US\$ 62/bbl). India's 10Y yield rose by 2bps (6.74%) on account of apprehension about higher borrowing in H2. However it is trading lower at 6.71% today.
- Currency:** Except JPY and GBP, other global currencies closed higher. EUR rose by 0.2% even as economic sentiment index in the region plunged in Sep'19. GBP depreciated for the 3rd straight session, weighed down by Brexit uncertainty. DXY closed unchanged. INR rose by 0.4% as oil prices moderated. In line with Asian currencies, INR is trading higher today.
- Equity:** Global indices closed mixed amidst political uncertainty in the US, with Nikkei (-0.8%) falling the most, followed by Dow (-0.3%). Sensex too ended in red (-0.4%) dragged down by metal and real estate stocks. It was trading further lower today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.68	(1)	(4)	19	(33)	(137)
UK	0.50	(2)	(13)	6	(33)	(110)
Japan	(0.24)	1	(3)	5	(8)	(36)
Germany	(0.57)	1	(5)	12	(25)	(110)
India	6.74	2	(5)	18	(14)	(129)
China	3.15	1	5	11	(9)	(49)
2Y yields (Δ bps)						
US	1.63	(2)	(5)	11	(12)	(120)
UK	0.40	(5)	(13)	3	(22)	(44)
Japan	(0.32)	1	(2)	(1)	(10)	(20)
Germany	(0.77)	(2)	(5)	14	(2)	(28)
India	5.81	1	0	4	(49)	(206)
China	2.56	0	2	(3)	(7)	(42)
Currencies (Δ %)						
EUR	1.0940	0.2	(0.7)	(1.1)	(3.8)	(6.0)
GBP	1.2292	(0.3)	(1.5)	0.9	(3.2)	(6.0)
JPY	107.92	(0.1)	(0.3)	(1.3)	(0.1)	4.8
AUD	0.6764	0.2	0	0.5	(3.6)	(6.2)
INR	70.56	0.4	0.5	1.7	(2.2)	2.8
CNY	7.1228	0.1	(0.4)	0.3	(3.7)	(3.4)
Equity & Other indices (Δ %)						
Dow	26,820	(0.3)	(0.4)	1.7	0.8	1.4
FTSE	7,426	1.0	1.1	3.4	0	(1.6)
DAX	12,381	0.8	(0.7)	4.6	(0.1)	(0.4)
NIKKEI**	21,879	(0.8)	(0.9)	6.9	2.8	(8.1)
Shanghai Comp	2,932	0.1	(2.5)	1.4	(1.6)	5.0
SENSEX	38,823	(0.4)	2.1	4.7	(1.5)	6.9
Brent (US\$/bbl)	61.91	(1.3)	(3.7)	1.4	(7.0)	(24.2)
Gold (US\$/oz)	1,497	(0.5)	(1.3)	(2.0)	6.2	26.6
CRB Index	387.5	(0.1)	0.5	(0.2)	(5.0)	(7.0)
Rogers Agri Index	704.2	0.1	0.8	2.7	(6.3)	(8.4)
LIBOR (3M)*	2.10	(1)	(4)	(3)	(22)	(30)
INR 5Y Swap*	6.38	7	3	15	(36)	(143)
India FII data (US\$ mn)						
	26 Sep	25 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(205.7)	10.3	(283.0)	(106.6)	4,140.6	3,596.0
FII-Equity	1,569.8	(49.6)	1,810.2	1,039.6	8,245.6	1,400.4

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com