

MACRO DAILY

13 March 2019

Macro developments

- Industrial growth eased to 1.7% in Jan'19 led by dip in capital, intermediate and consumer goods (durables and FMCG). On the other hand, CPI rose by 2.6% in Feb'19 (2% in Jan'19) led by food inflation. Core inflation remained sticky, though education and health remained elevated. The macro backdrop of slowing global and domestic growth should outweigh the rise in inflation as inflation outlook remains benign.
- US CPI rose for the first time in the past 4 months in line with the estimate of 0.2% in Feb'19. This was driven by modest pace of increase in food and gasoline prices. On an annualised basis, CPI edged down marginally by 1.5% vs 1.6% in Jan'19. Core CPI rose by 2.1% against an increase of 2.2% seen in the past three months.
- UK industrial production rose by 0.6% in Jan'19 on a MoM basis, vs (-) 0.5% in Dec'18 and est. 0%. This was led by increase in manufacturing output which rose by 0.8% in Jan'19 vs (-) 0.7% in Dec'18. Within manufacturing, pharma (5.7%) and food, beverages & tobacco (1.3% – strongest since Dec'16) contributed the most to the monthly gain.

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Markets

- Bonds:** Global yields closed mixed driven by Brexit related uncertainties and concerns of global growth. US 10Y yield declined by 4bps (2.6%) supported by higher CPI data print. Crude prices rose by 0.1% (US\$ 67/bbl) as Saudi Arabia trimmed its exports and US crude output has been estimated to be lower in CY19. India's 7.26GS2029 yield rose marginally by 1bps (7.36%). It was trading higher at 7.37% on the back of higher than expected CPI data.
- Currency:** Barring GBP and JPY, other global currencies closed higher as dollar weakened. DXY ended lower by (-) 0.3%. GBP also edged down by (-) 0.6% after the British parliament voted down PM May's Brexit deal. INR appreciated by 0.3% on the back of FII inflows. It was trading even higher today, while Asian currencies were trading lower.
- Equity:** Except Dow and Dax, global indices ended higher with Nikkei surging by 1.8%. Sensex too soared by 1.3% on the back of resurgent FII inflow and stronger rupee. However, Dow fell by (-) 0.4% led by Boeing. While Asian markets were trading lower after UK parliament rejected another round of Brexit deal, Sensex opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.60	(4)	(12)	(5)	(28)	(24)
UK	1.16	(2)	(12)	(2)	(2)	(32)
Japan	(0.03)	1	(4)	0	(8)	(8)
Germany	0.06	(1)	(11)	(7)	(18)	(56)
India#	7.51	0	(5)	(2)	(2)	(14)
China	3.16	1	(7)	8	(15)	(70)
2Y yields (Δ bps)						
US	2.45	(2)	(9)	(3)	(31)	20
UK	0.72	(2)	(9)	(1)	3	(12)
Japan	(0.15)	0	(1)	2	(1)	(1)
Germany	(0.54)	(1)	(4)	3	6	3
India	6.66	0	1	(7)	(47)	(32)
China**	2.41	1	(6)	0	(26)	(88)
Currencies (Δ %)						
EUR	1.1288	0.4	(0.2)	0.1	(0.3)	(8.9)
GBP	1.3075	(0.6)	(0.8)	1.7	4.7	(6.4)
JPY	111.36	(0.1)	0.5	(0.9)	1.8	(4.5)
AUD	0.7082	0.2	0	0.3	(1.7)	(9.9)
INR	69.71	0.3	1.1	2.1	3.0	(7.4)
CNY	6.7085	0.3	0	1.2	2.8	(6.1)
Equity & Other indices (Δ %)						
DOW	25,555	(0.4)	(1.0)	2.0	4.9	2.2
FTSE	7,151	0.3	(0.4)	0.3	5.1	0.2
DAX	11,524	(0.2)	(0.8)	4.6	6.9	(5.7)
NIKKEI	21,504	1.8	(1.0)	3.1	1.7	(2.1)
Shanghai Comp	3,060	1.1	0.2	15.3	18.0	(7.6)
SENSEX	37,536	1.3	3.0	3.1	6.8	10.9
Brent (USD/bbl)	66.67	0.1	1.2	8.4	10.7	3.1
Gold (USD/oz)	1,302	0.6	1.1	(0.5)	4.7	(1.9)
CRB Index	417.4	0.8	0.8	1.4	0.6	(6.6)
Rogers Agri Index	749.3	1.3	(0.3)	(1.9)	(3.6)	(11.7)
LIBOR (3M)*	2.61	1	0	(8)	(17)	48
INR 5Yr Swap*	6.89	(7)	(14)	(17)	(41)	(4)
India FII data (US\$ mn)						
	11 Mar	8 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	153.7	582.5	153.7	801.6	(866.5)	(7,857.2)
FII-Equity	493.8	160.7	493.8	1,327.0	3,404.4	(3,278.5)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken Baroda, ** 1Y yield is taken

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