

MACRO DAILY

15 March 2019

Macro developments

- WPI increased to 2.9% in Feb'19 from 2.8% in Jan'19 led by food inflation at 3.3% in Feb'19 (1.8% in Jan'19). Fuel and power inflation too rose by 40bps MoM to 2.2% in Feb'19. However, manufactured inflation softened to 2.3% in Feb'19 (2.6% in Jan'19). Weak global growth outlook will support lower commodity prices in coming months. We expect inflation, in particular CPI, to be lower than RBI's target of 4% thus opening up room for easing.
- US initial jobless claims for the week ending 9 Mar rose to 229,000 vs est.: 225,000 and 223,000 from the previous week. While this data may still be reeling under the effect of temporary government shutdown, it is also believed that global growth slowdown is beginning to show its impact. The 4-week moving average however fell to 223,750 vs 226,250 last week.
- Bank of Japan in its latest meeting kept its policy rate unchanged at (-) 0.1% and also its target of maintaining 10Y government bond yields at around 0%. However, the governor reiterated concerns around slowing global economy hurting their exports and overall growth outlook.

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Markets

- **Bonds:** Except Japan and India, global yields closed higher. This was driven by delay in Brexit. UK 10Y yield inched up by 3bps (1.22%). Crude prices edged down by 0.5% (US\$ 67/bbl) led by concerns over global slowdown. India's 7.26GS 2029 yield closed lower by 2bps (7.36%) supported by RBI's durable liquidity measures. It was trading at 7.37% today.
- **Currency:** Apart from INR, other global currencies closed lower. DXY rebounded (up 0.2%) on uncertainty over US-China trade deal. After appreciating sharply by 2%, GBP fell by (-) 0.7% after British parliament voted to delay Brexit. INR rose for the 4th straight session to close at a 7-month high of 69.35/\$. It was trading even higher at 69.19/\$ today.
- **Equity:** Barring Shanghai Comp, global indices largely ended flat on the back of mixed data from global markets. Weaker than expected data print on industrial growth from China pushed the Shanghai Comp lower by (-) 1.2%). Both Asian markets and Sensex opened higher today on the back of steady BoJ monetary policy.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.63	1	(1)	(2)	(28)	(20)
UK	1.22	3	5	4	(6)	(21)
Japan	(0.04)	0	(3)	(1)	(10)	(9)
Germany	0.09	2	2	(3)	(20)	(49)
India#	7.55	0	2	2	14	(8)
China	3.15	1	(2)	8	(20)	(70)
2Y yields (Δ bps)						
US	2.46	0	(1)	(2)	(30)	18
UK	0.77	2	4	4	0	(4)
Japan	(0.16)	(1)	(2)	0	(2)	(2)
Germany	(0.54)	1	1	4	4	4
India	6.62	(7)	(8)	(12)	(36)	(31)
China**	2.43	0	2	2	(24)	(87)
Currencies (Δ %)						
EUR	1.1304	(0.2)	1.0	0.2	(0.5)	(8.1)
GBP	1.3242	(0.7)	1.2	3.0	4.7	(5.0)
JPY	111.70	(0.5)	(0.1)	(1.2)	1.7	(5.0)
AUD	0.7064	(0.4)	0.7	0	(2.3)	(9.4)
INR	69.35	0.3	0.9	2.6	3.3	(6.8)
CNY	6.7230	(0.2)	(0.1)	1.0	2.3	(6.3)
Equity & Other indices (Δ %)						
DOW	25,710	0	0.9	2.6	4.5	3.4
FTSE	7,185	0.4	0.4	0.8	4.5	0.6
DAX	11,587	0.1	0.6	5.2	6.1	(6.1)
NIKKEI	21,287	0	(0.8)	2.0	(2.4)	(2.4)
Shanghai Comp	2,991	(1.2)	(3.7)	12.7	13.5	(9.1)
SENSEX	37,755	0	2.8	3.7	5.1	12.1
Brent (USD/bbl)	67.23	(0.5)	1.4	9.3	9.4	3.2
Gold (USD/oz)	1,296	(1.0)	0.8	(0.9)	4.4	(1.5)
CRB Index	418.3	(0.3)	1.1	1.6	0.5	(6.1)
Rogers Agri Index	749.9	0	1.4	(1.9)	(4.0)	(11.3)
LIBOR (3M)*	2.61	1	1	(8)	(18)	43
INR 5Yr Swap*	6.63	(32)	(38)	(43)	(63)	(31)
India FII data (US\$ mn)						
	13 Mar	12 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(243.1)	47.0	(42.5)	605.5	(1,062.7)	(8,053.3)
FII-Equity	317.9	511.1	1,322.7	2,155.9	4,233.3	(2,449.6)

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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