

MACRO DAILY

11 June 2019

Macro developments

- As per news reports, government is planning to privatise profit making state-run companies from its earlier policy of only disinvesting in loss making CPSEs. The disinvestment target for FY20 has been kept at Rs 900bn. However, government has been unable to sell any CPSEs to the private sector despite having approval for 24 firms including Air India.
- Japan has revised its GDP growth upwards for Q1CY19 to 0.6% on a QoQ basis vs initial estimate of 0.5%. The upward revision was led by private investment growth which was revised to 0.3% from (-) 0.3% in preliminary estimates. Public investment (1.2% vs 1.5% earlier) and private residential investment (0.6% vs 1.1% earlier) on the other hand were revised downward.
- China's export growth surprised positively as it rose by 1.1% in May'19 on a YoY basis, vs est.: (-) 3.8% and (-) 2.7% in Apr'19. Front loading of exports and weakening Yuan (-7.2% YoY in May'19) may have helped export growth. Import growth on the other hand fell to the lowest in 3 years (-8.5% in May'19 vs est. -3.8%) pointing towards weak domestic demand conditions.

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Markets

- Bonds:** Barring Japan and China, global yields closed higher driven by conclusive deal between US and Mexico. US 10Y yield increased by 7bps (2.15%). Crude closed at US\$ 62/bbl amidst ongoing supply cut reports by OPEC members. India's 10Y yield rose the most by 10bps (7.08%) led by volatility in oil prices and newspaper reports suggesting government may stick to revenue targets presented in interim budget. It was also trading higher at 7.09% today.
- Currency:** Global currencies closed lower on the back of a stronger dollar. DXY rose by 0.2% as US shelved its plans to impose tariffs on imports from Mexico. AUD (-0.6%) and GBP (-0.4%) weakened the most. INR opened higher today, while other Asian currencies were trading lower.
- Equity:** Global indices closed higher as trade concerns eased with US suspending plans of tariff imposition on Mexico. Nikkei (1.2%) gained the most amongst other indices, followed by Shanghai Comp (0.9%). Sensex too rose by 0.4% led by IT and FMCG stocks. It opened higher today in line with other Asian markets trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.15	7	8	(32)	(49)	(80)
UK	0.84	3	(2)	(30)	(34)	(57)
Japan	(0.12)	0	(3)	(7)	(9)	(17)
Germany	(0.22)	4	(2)	(17)	(29)	(71)
India	7.08	10	9	(34)	(27)	(89)
China	3.26	0	0	(5)	11	(40)
2Y yields (Δ bps)						
US	1.90	5	7	(36)	(57)	(62)
UK	0.56	3	(1)	(18)	(19)	(19)
Japan	(0.19)	0	(2)	(4)	(5)	(7)
Germany	(0.67)	0	(2)	(6)	(13)	(7)
India	6.29	2	(11)	(48)	(37)	(133)
China**	2.53	(2)	(6)	(13)	8	(64)
Currencies (Δ %)						
EUR	1.1312	(0.2)	0.6	0.7	0.6	(4.0)
GBP	1.2685	(0.4)	0.2	(2.4)	(3.5)	(5.2)
JPY	108.45	(0.2)	(0.4)	1.4	2.5	1.4
AUD	0.6961	(0.6)	(0.2)	(0.6)	(1.5)	(8.5)
INR	69.66	(0.3)	(0.6)	0.4	0.3	(3.3)
CNY	6.9311	(0.3)	(0.4)	(1.6)	(3.0)	(8.3)
Equity & Other indices (Δ %)						
DOW	26,063	0.3	5.0	0.5	1.6	2.9
FTSE	7,376	0.6	2.7	2.4	3.4	(4.7)
DAX	12,045	0.8	2.1	(0.1)	4.3	(6.2)
NIKKEI	21,134	1.2	3.5	(1.0)	0.0	(7.3)
Shanghai Comp	2,852	0.9	(1.3)	(3.0)	(5.8)	(6.6)
SENSEX	39,785	0.4	(1.2)	6.2	7.4	12.1
Brent (USD/bbl)	62.29	(1.6)	1.6	(11.8)	(6.4)	(18.5)
Gold (USD/oz)	1,328	(1.0)	0.2	3.3	2.7	2.1
CRB Index	410.7	0.3	(1.3)	0.2	(0.8)	(8.7)
Rogers Agri Index	746.3	0.2	(1.2)	6.8	0.9	(10.6)
LIBOR (3M)*	2.45	(0)	(3)	(8)	(16)	12
INR 5Yr Swap*	6.67	5	12	(42)	(29)	(70)
India FII data (US\$ mn)						
	7 Jun	6 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	316.5	140.7	786.7	786.7	1,022.4	6.1
FII-Equity	(55.5)	(225.9)	76.8	76.8	11,266.7	2,972.1

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** 1Y yield, Dax was closed on 10.6.19

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