

## MACRO DAILY

12 June 2019

### Macro developments

- RBI made net purchase of US\$ 4.9bn in the spot market in Apr'19 vs US\$ 9.4bn in Mar'19. In the forwards market, RBI sold US\$ 4.7bn in Apr'19, lower compared with sale of US\$ 9.4bn in Mar'19. RBI's net outstanding forward sales widened to US\$ 18.5bn from US\$ 13.8bn in Mar'19.
- Producer prices in the US moderated marginally and grew by 0.1% in May'19 vs 0.2% in Apr'19, on MoM basis. On a YoY basis as well, PPI edged down to 1.8% in May'19 vs 2.2% in Apr'19 on account of falling energy prices. Muted inflation print in the past few months have refrained Fed from taking any call on interest rates. However, based on underlying growth indicators, a rate cut may be forthcoming in the near term.
- China's PPI eased from 0.9% in Apr'19 to 0.6% in May'19, on the back of declining price gains in oil, natural gas extraction, coal processing, and construction material. This trend is also confirmed by softening non-food retail inflation (1.6% in May'19 vs 1.7% in Apr'19). Despite this headline CPI rose to 2.7% from 2.5% in Apr'19 on account of higher prices (7.7% in May'19 vs 6.1% in Apr'19), led by supply side distortions.

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### Markets

- **Bonds:** Global yields closed mixed amidst escalated trade tensions between US & China. US 10Y yield continued to fall (2.14%) as markets have priced in a rate cut in the upcoming Fed meet. Crude prices closed flat at US\$ 62/bbl driven by rising US inventories and EIA's projection of a lower oil demand in 2019. In response, India's 10Y yield declined by 4bps (7.04%). It was trading lower at 7.02% today, supported by RBI's OMO purchase announcement of Rs 150bn as on 13 Jun 2019.
- **Currency:** Barring JPY and AUD, other global currencies closed higher against the dollar. DXY fell by (-) 0.1% on the back of escalating US-China trade dispute and growing bets of a rate cut by the Fed. INR opened higher today ahead of CPI data, while other Asian currencies were trading mixed.
- **Equity:** Except Dow, global indices closed higher. Shanghai Comp surged by 2.6% led by news of local government using special bond to finance infrastructure projects. While Asian markets are trading mixed, Sensex opened lower today ahead of the CPI and IIP data release.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

| Particulars                             | Current       | 1D           | 1W         | 1M         | 3M          | 12M         |
|---|---------------|--------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |              |            |            |             |             |
| US                                      | 2.14          | (1)          | 1          | (26)       | (46)        | (82)        |
| UK                                      | 0.86          | 2            | (4)        | (24)       | (30)        | (54)        |
| Japan                                   | (0.11)        | 1            | (1)        | (6)        | (8)         | (16)        |
| Germany                                 | (0.23)        | (1)          | (3)        | (16)       | (29)        | (72)        |
| India                                   | 7.04          | (4)          | 2          | (35)       | (32)        | (93)        |
| China                                   | 3.27          | 1            | 2          | (1)        | 11          | (43)        |
| <b>2Y yields (Δ bps)</b>                |               |              |            |            |             |             |
| US                                      | 1.93          | 3            | 5          | (26)       | (52)        | (61)        |
| UK                                      | 0.59          | 4            | (1)        | (12)       | (13)        | (16)        |
| Japan                                   | (0.19)        | 1            | 0          | (3)        | (4)         | (6)         |
| Germany                                 | (0.67)        | 0            | (3)        | (4)        | (13)        | (8)         |
| India                                   | 6.30          | 0            | (11)       | (41)       | (39)        | (132)       |
| China**                                 | 2.53          | (2)          | (6)        | (13)       | 8           | (64)        |
| <b>Currencies (Δ %)</b>                 |               |              |            |            |             |             |
| EUR                                     | 1.1326        | 0.1          | 0.7        | 0.9        | 0.3         | (3.6)       |
| GBP                                     | 1.2725        | 0.3          | 0.2        | (1.8)      | (2.7)       | (4.8)       |
| JPY                                     | 108.52        | (0.1)        | (0.3)      | 0.7        | 2.6         | 1.7         |
| AUD                                     | 0.6962        | 0            | (0.4)      | 0.3        | (1.7)       | (8.1)       |
| INR                                     | 69.45         | 0.3          | (0.3)      | 1.5        | 0.4         | (2.9)       |
| CNY                                     | 6.9114        | 0.3          | (0.1)      | (0.5)      | (3.0)       | (7.9)       |
| <b>Equity &amp; Other indices (Δ %)</b> |               |              |            |            |             |             |
| DOW                                     | 26,049        | (0.1)        | 2.8        | 2.9        | 1.9         | 2.9         |
| FTSE                                    | 7,398         | 0.3          | 2.6        | 3.3        | 3.5         | (4.0)       |
| DAX                                     | 12,156        | 0.9          | 1.5        | 2.4        | 5.5         | (5.3)       |
| NIKKEI                                  | 21,204        | 0.3          | 3.9        | 0.1        | (1.4)       | (7.3)       |
| Shanghai Comp                           | 2,926         | 2.6          | 2.2        | 0.8        | (4.4)       | (5.0)       |
| SENSEX                                  | 39,950        | 0.4          | (0.3)      | 7.7        | 6.4         | 11.9        |
| Brent (USD/bbl)                         | 62.29         | 0            | 0.5        | (11.3)     | (6.6)       | (17.9)      |
| Gold (USD/oz)                           | 1,327         | (0.1)        | 0.1        | 2.1        | 1.9         | 2.4         |
| CRB Index                               | 412.4         | 0.4          | (0.7)      | 1.0        | (1.2)       | (8.8)       |
| Rogers Agri Index                       | 750.8         | 0.6          | (0.5)      | 7.9        | 0.2         | (10.9)      |
| LIBOR (3M)*                             | 2.44          | (1)          | (4)        | (8)        | (16)        | 10          |
| INR 5Yr Swap*                           | 6.69          | 2            | 4          | (40)       | (20)        | (77)        |
| <b>India FII data (US\$ mn)</b>         |               |              |            |            |             |             |
|   | <b>10 Jun</b> | <b>7 Jun</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 257.1         | 316.5        | 257.1      | 1,043.8    | 1,279.5     | 263.2       |
| FII-Equity                              | 46.1          | (55.5)       | 46.1       | 122.9      | 11,312.9    | 3,018.2     |

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

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