

MACRO DAILY

15 May 2019

Macro developments

- Skymet has predicted that rainfall in India is likely to be below normal at 93% of LPA. The forecast is dimmer than IMD's first forecast of near normal with rainfall at 96% of LPA. Thus uncertainty persists with regard to onset and spatial distribution of monsoon which might pose upside risk to food inflation in the near term.
- WPI inflation moderated to 3.1% in Apr'19 from 3.2% in Mar'19 led by dip in fuel and power (3.8% in Apr'19 vs 5.4%) and manufactured inflation (1.7% in Apr'19 vs 2.2%). However, food inflation rose to 4.9% in Apr'19, a 25-month high, driven by higher vegetable and protein prices. With international oil prices hovering at US\$ 71/ bbl, a depreciating currency and rising domestic food inflation, RBI might be on a pause in its June meeting.
- Germany's retail inflation rose sharply by 2% on a YoY basis in Apr'19 vs 1.3% in Mar'19. This was mainly due to energy products (4.6%) and package holiday prices (11.2%). Timing of Easter impacted travel prices within the services sector. Separately, ZEW economic sentiment index for May'19 fell to (-) 2.1 vs est.: 5 and 3.1 in Apr'19. This implies greater number of participants expect muted economic growth in the next 6 months.

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed as US-China trade war remained in focus. US 10Y yield inched up a tad by 1bps ahead of release of major macro prints (US retail sales and industrial production). Crude prices rose by 1.4% (US\$ 71/bbl) amid tensions in Saudi Arabia. India's 7.26GS2029 yield fell by 1bps (7.38%). It was trading further lower at 7.37% today.
- **Currency:** Global currencies closed mixed on the back of ongoing US-China trade developments. While DXY edged up by 0.2%, CNY and AUD closed unchanged after falling (-) 0.8% in the last session. INR gained 0.1%. It opened higher today, in line with other Asian currencies.
- **Equity:** Barring Nikkei and Shanghai Comp, other major global indices closed higher on the back of trade negotiation between US & China. European stocks gained the most, followed by Dow. Sensex too rose (0.6%), led by PSU banks, pharma and realty stocks. It opened even higher today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.41	1	(5)	(15)	(28)	(66)
UK	1.11	0	(5)	(11)	(8)	(41)
Japan	(0.05)	(0)	0	1	(4)	(11)
Germany	(0.07)	0	(3)	(13)	(20)	(72)
India#	7.46	(2)	(2)	(11)	(7)	(45)
China	3.29	1	(7)	(7)	21	(43)
2Y yields (Δ bps)						
US	2.20	1	(9)	(19)	(31)	(38)
UK	0.72	1	(3)	(7)	(1)	(12)
Japan	(0.16)	0	(0)	1	1	(3)
Germany	(0.63)	(1)	(3)	(7)	(7)	(8)
India	6.69	(2)	(5)	1	(3)	(91)
China**	2.60	(0)	(2)	15	24	(37)
Currencies (Δ %)						
EUR	1.1204	(0.2)	0.1	(0.8)	(1.1)	(5.4)
GBP	1.2905	(0.4)	(1.3)	(1.3)	0.1	(4.4)
JPY	109.61	(0.3)	0.6	2.2	0.8	0.7
AUD	0.6944	0	(1)	(3.2)	(2.1)	(7.1)
INR	70.46	0.1	(1.5)	(1.9)	0.3	(3.5)
CNY	6.8753	0	(1.5)	(2.6)	(1.5)	(7.8)
Equity & Other indices (Δ %)						
DOW	25,532	0.8	(1.7)	(3.3)	0.4	3.3
FTSE	7,242	1.1	(0.3)	(2.6)	1.5	(6.2)
DAX	11,992	1	(0.8)	(0.1)	7.8	(7.5)
NIKKEI	21,067	(0.6)	(3.9)	(3.7)	1	(7.7)
Shanghai Comp	2,884	(0.7)	(1.5)	(9.6)	7.9	(9.7)
SENSEX	37,319	0.6	(2.5)	(3.7)	3.2	5
Brent (USD/bbl)	71.24	1.4	1.9	(0.4)	14.1	(9.2)
Gold (USD/oz)	1,297	(0.2)	1	0.5	(1.1)	0.5
CRB Index	410.4	0.5	(1.7)	(3.7)	(0.3)	(7.2)
Rogers Agri Index	708.8	1.9	(0.5)	(5.6)	(7.7)	(15.4)
LIBOR (3M)*	2.52	(1)	(4)	(8)	(17)	20
INR 5Yr Swap*	6.99	(9)	(24)	27	(5)	(22)
India FII data (US\$ mn)						
	13 May	10 May	WTD	MTD	CYTD	FYTD
FII-Debt	(27.6)	(39.8)	(27.6)	(615.7)	(917)	(1,933.4)
FII-Equity	(135.6)	(178.6)	(135.6)	12.3	9,779.6	1,484.9

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

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