



Monthly Market Insight

April 2019

DEBT UPDATE

Global Events

April once again marked a change in the global sentiments with US economy racing back into growth story reflected by strong economic data releases during the month. These set of optimistic data releases helped Fed pushing back against any immediate pressure for any rate cuts and maintain a neutral stance. This along with long pending US China trade talks finally materializing into actions by US partially withdrawing tariffs on Chinese goods cheered the markets. However, weak set of data releases from other major economies raised the concerns over slowdown in global growth.

CPI reading for Australia came down sharply at 0.0% and German business morale deteriorated in April to 99.2 points from 99.7 points leaving domestic demand to support slowing growth.

Indian Market Events

Back home after significant gains from global developments and attracting large FPI flows in last month, the tide turned around in the month of April caused by a sharp rise in Brent crude prices and overhang of large g-sec supplies. In spite of RBI delivering the much expected rate cut and announcing OMO's in two tranches in the month of May, the maintenance of neutral stance and cautious view on inflation was taken as potential pause in further rate cuts.

Further the Brent crude prices which were stable and supportive for a while reached six months high of \$74 because of supply constraints (Iran sanctions) and positive cues from US China trade talks. Also US economic data releases and Fed meeting outcome helped investors regain confidence in the global markets. Citing these developments the India 10Y closed 7bps higher for the month at 7.41%.

Economic Activity	Data
Manufacturing index	55.3 against previous month reading of 54.2
Unemployment rate	3.80%
Non-farm payroll	Higher than expected at 196K
PPI	0.30% vs expectation of 0.20% and 0.1 previous
Core retail sales	1.20% mom vs expectation of 0.70% and -0.2 previous
GDP – Q1CY19	3.20%

Economic Activity	Data
ISM Non-Manufacturing index	Fell to 56.1
Core CPI	2% vs 2.1% Previously

Economic parameters	Comments
GST collection	Jumped to Rs 1.13 lakh crore in April - the highest since its rollout
CPI inflation (March)	Reported in-line at 2.86%
PPI (February)	Collapsed to 0.1% against consensus of 2% and 1.4% last
Manufacturing PPI	Disappointing at -0.3%

As economy gathered the pace and the possibility of rate cuts by Fed dimmed down, the US 10Y yields rose by 8bps to close the month at 2.50% after touching an intra-month high of 2.59%. Gaining from the weakness in the peer currencies such as euro and pound the dollar index strengthened to 97.20 against the previous month closing of 96.79.

In other economies BoJ[#] held rates steady in its policy meeting and said that the bank will keep rates at current low levels at least until spring 2020 and will expand eligible collateral for its lending. Quarterly

The corporate bond segment and the money markets remained under pressure due to tightness in system liquidity; in spite of RBI's ongoing liquidity injection including through forex swaps the system liquidity improved only marginally and remained at deficit of Rs 684.41 bn vs. previous month-end's deficit of Rs 1.16 tn. These led to money market rates rising by 25-30bps and corporate bond yields rising by 20-25bps.

Market Outlook

The fresh spike in oil prices and better than expected global economic data releases along with overhang of supply concerns has been spoiler for domestic markets. However the restart of OMO announcement by RBI may provide some relief following which we expect the bond yields to trade in narrow range with a slight downward bias. On the credit market front the recurring turbulence in these markets may result in divergence of rates offered by markets, while credits that are perceived to be safe may fetch desired rates the ones with even a slight doubt may find difficult to borrow, hence markets are expected to remain cautious with credits in the coming months.

Source: Bloomberg, 30th April 2019.

Fixed Income - Yields

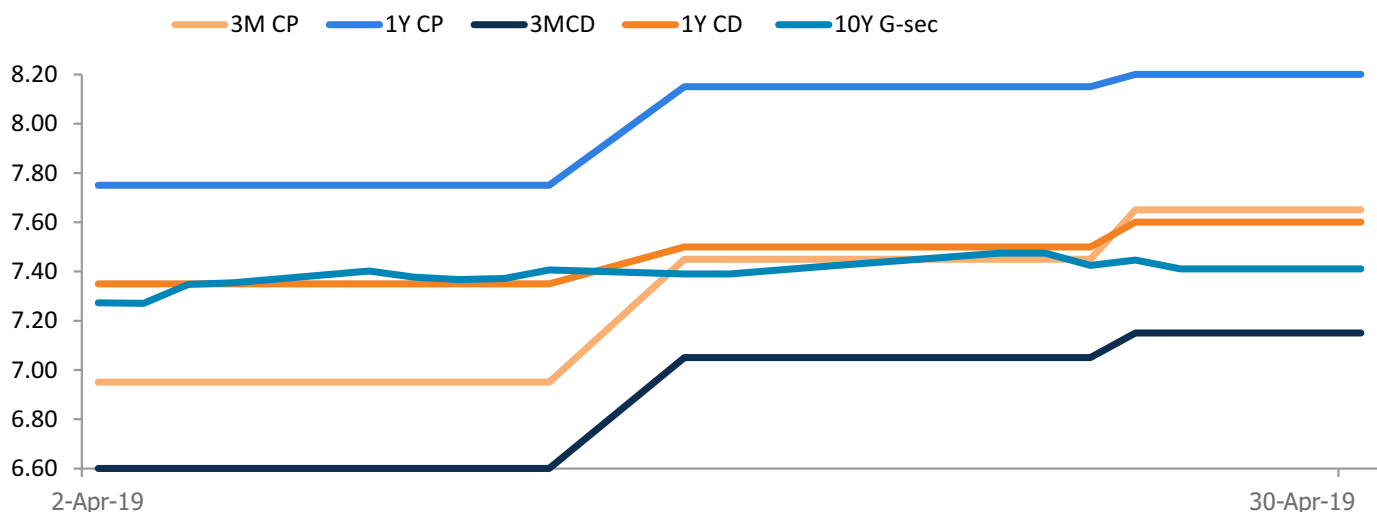
	30 Apr 19	2 Apr 19
Call Money	6.15	6.19
TREPS	6.01	6.22
3 months CD	7.15	6.60
3 months CP	7.65	6.95
1 year CD	7.60	7.35
1 year CP	8.20	7.75
G-Sec (10 yrs)	7.41	7.27

All Values are percentage (%) terms

Currency Markets

Forex	Value	MTD	YTD
\$ / Re	69.56	0.60%	-0.40%
£ / Re	90.47	-0.20%	2.50%
€ / Re	78.02	0.50%	-2.30%
KRW / Re	0.06	-2.30%	-2.30%

Source: Bloomberg, 30th April 2019.



Source: Bloomberg, 30th April 2019.

Macro Economic Indicators (India)

Indicators	Current Period	Value	YoY Comparison	Value
GDP (%)	Q3 2018-19	6.60%	Q3 2017-18	7.70%
IIP (%)	February 2019	0.10%	February 2018	6.90%
Inflation (CPI %)	March 2019	2.86%	March 2018	4.28%

Source: CCIL, data as of 30th April 2019.

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Bank of Japan

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