

## MACRO DAILY

10 December 2019

### Macro developments

- As per news reports, government may increase the FDI limit for insurance companies to 74% in the Budget from 49% presently. This is expected to boost FDI inflows. Earlier in Sep'19, government had eased FDI limits in several sectors to such as insurance intermediaries, contract manufacturing and mining (sale of coal & coal mining activities) to 100%. FDI inflows in insurance sector were US\$ 992mn in Q1FY20 vs US\$ 254mn in Q1FY19.
- China's PPI fell by (-) 1.4% in Nov'19 vs (-) 1.6% in Oct'19. The fifth consecutive decline was due to softening prices in mining (oil & gas extraction) and manufacturing (intermediate goods: -2.5%; raw materials: -5%). Separately, CPI rose by 4.5% in Nov'19 (highest since Jan'12) from 3.8% in Oct'19. Continued surge in pork prices (110.2%) kept food inflation elevated (19.1%). Non-food prices rose by only 1% in Nov'19.
- Amidst signs of global slowdown, Germany's exports surprised positively to rise by 1.2% in Oct'19 (est. -0.7%), from 1.5% in Sep'19 on a MoM basis. This was largely driven by strong demand from non-European countries. Imports on the other hand, remained unchanged for the same period. This gives hopes of a better GDP print for Q4CY19.

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### Markets

- Bonds:** Except India, China and Japan (stable), global yields closed lower. Investors remained cautious ahead of upcoming US Fed policy decision and weaker than expected macro data from China. US 10Y yield fell by 2bps (1.82%), while oil prices declined by (-) 0.2%. India's 10Y yield ended flat (6.67%) and is trading marginally lower at 6.65% today.
- Currency:** Global currencies closed mixed as investors await clarity on US-China trade deal ahead of the 15 Dec tariff deadline. While DXY fell by (-) 0.1%. JPY was steady. INR rose by 0.2%. It is trading near a 1-month high today (70.97/\$), while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed after conflicting global exports data from China (disappointing) and Germany (positive). European indices ended in red as UK heads towards crucial polls this week. Sensex on the other hand, rose by 0.1% supported by DII inflow of Rs 0.7bn. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.82	(2)	0	(12)	18	(104)
UK	0.76	(1)	2	(3)	17	(44)
Japan	(0.00)	0	4	5	25	(5)
Germany	(0.31)	(2)	(3)	(4)	28	(55)
India	6.67	0	18	11	9	(92)
China	3.20	0	(1)	(7)	18	(7)
<b>2Y yields (Δ bps)</b>						
US	1.61	0	1	(6)	2	(112)
UK	0.57	(2)	2	2	14	(13)
Japan	(0.12)	1	3	4	18	2
Germany	(0.64)	(1)	(2)	(2)	22	(6)
India	5.73	0	38	17	1	(147)
China	2.61	0	(2)	(7)	3	11
<b>Currencies (Δ %)</b>						
EUR	1.1064	0	(0.1)	0.4	0.1	(2.6)
GBP	1.3147	0.1	1.6	2.9	6.5	4.7
JPY	108.56	0	0.4	0.6	(1.2)	4.2
AUD	0.6823	(0.3)	0.1	(0.6)	(0.6)	(5.1)
INR	71.05	0.2	0.9	0.3	0.9	0.4
CNY	7.0392	(0.1)	0	(0.6)	1.2	(1.8)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,910	(0.4)	0.5	0.8	4.0	14.3
FTSE	7,234	(0.1)	(0.7)	(1.7)	(0.0)	7.6
DAX	13,106	(0.5)	1.1	(0.9)	7.2	23.4
NIKKEI	23,431	0.3	(0.4)	0.2	9.9	10.4
Shanghai Comp	2,914	0.1	1.3	(1.7)	(3.6)	12.8
SENSEX	40,487	0.1	(0.8)	0.4	9.0	15.8
Brent (US\$/bbl)	64.25	(0.2)	5.5	2.8	2.7	7.1
Gold (US\$/oz)	1,462	0.1	(0.1)	0.2	(2.5)	17.5
CRB Index	391.0	0.1	1.3	0.1	1.8	(6.2)
Rogers Agri Index	727.9	0	0.5	(0.4)	7.7	(6.5)
LIBOR (3M)*	1.89	1	(1)	(1)	(25)	(89)
INR 5Y Swap*	6.52	2	13	2	43	(84)
<b>India FII data (US\$ mn)</b>						
	<b>6 Dec</b>	<b>5 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	66.3	(6.1)	238.5	238.5	4,483.3	3,938.7
FII-Equity	(10.4)	61.1	(138.2)	(138.2)	13,234.2	6,389.0

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

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