

MACRO DAILY

10 February 2020

Macro developments

- India's forex reserves rose to a fresh historic high of US\$ 471.3bn in the week ended 31 Jan 2020. On a weekly basis, forex reserves rose by US\$ 4.6bn vs US\$ 4.5bn last week. In FYTD20, forex reserves have risen by US\$ 59.4bn vs a depletion of US\$ 24.1bn in the same period last year.
- US nonfarm payroll surged to 225,000 in Jan'20 much higher than anticipated (160,000) and from 145,000 in Dec'19, signalling strong labour market conditions. This was driven by construction sector (44,000) which added most jobs. Average hourly earnings increased by 3.1% in Jan'20 vs 3% in Dec'19 while unemployment rate rose to 3.6% from 3.5%.
- Germany's industrial production surprised negatively as it slumped by (-) 3.5% in Dec'19 on a MoM basis vs est. (-) 0.2% and +1.2% in Nov'19. The sharpest decline since Jan'09 was led by construction (-8.7% vs +2.4% in Nov'19) and manufacturing industries (-2.9% vs +1%). Within this, capital (-3.5% vs +2.4%) and intermediate (-2.6% vs -0.4%) goods fell the most. Separately, Germany's exports rose by 0.8% in CY19 vs 3% in CY18 while imports rose by 1.4% vs 5.7% in CY18.

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Markets

- Bonds:** Global yields closed lower over concerns of spread of coronavirus and muted macro print in Germany. US 10Y yield fell by 6bps (1.58%). Oil prices fell by (-) 0.8% (US\$ 54/bbl) as fears of excess supply remain, owing to Russia's delay in production cuts. As a result, India's 10Y yield fell by 1bps (6.44%). It is trading further lower at 6.43% today.
- Currency:** Barring JPY and DXY, other global currencies closed lower. DXY rose by 0.2% on better than expected US non-farm payroll data. CNY depreciated by (-) 0.5% amidst rising fears of spread of the coronavirus. INR is trading higher today while other Asian currencies are trading mixed.
- Equity:** Except Shanghai Comp, other global indices ended lower despite strong jobs report from US. Amongst other indices, Dow (-0.9%) dropped the most as concerns around coronavirus escalated, followed by FTSE (-0.5%). Sensex too slipped by (-) 0.4%, led by real estate and auto stocks. It is trading lower today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.58	(6)	8	(27)	(36)	(107)
UK	0.57	(1)	5	(25)	(24)	(61)
Japan	(0.04)	(2)	3	(5)	3	(1)
Germany	(0.39)	(2)	5	(21)	(14)	(51)
India	6.44	(1)	(16)	(9)	(13)	(91)
China	2.81	(3)	(20)	(32)	(41)	(27)
2Y yields (Δ bps)						
US	1.40	(4)	9	(18)	(27)	(108)
UK	0.49	1	(1)	(9)	(8)	(24)
Japan	(0.15)	(2)	0	(2)	5	2
Germany	(0.64)	(1)	3	(5)	(3)	(7)
India	5.77	(5)	(30)	(39)	21	(97)
China	2.23	(7)	(5)	(42)	(46)	(18)
Currencies (Δ %)						
EUR	1.0946	(0.3)	(1.3)	(1.4)	(0.8)	(2.9)
GBP	1.2892	(0.3)	(2.4)	(1.3)	0.3	0.3
JPY	109.75	0.2	(1.3)	(0.2)	(0.6)	0.6
AUD	0.6673	(0.8)	(0.3)	(2.7)	(2.6)	(5.5)
INR	71.41	(0.3)	(0.1)	(0.3)	0.1	(0.3)
CNY	7.0025	(0.5)	(0.9)	(1.0)	0.1	(3.1)
Equity & Other indices (Δ %)						
Dow	29,103	(0.9)	3.0	0.5	5.1	16.2
FTSE	7,467	(0.5)	2.5	(1.7)	1.9	4.7
DAX	13,514	(0.4)	4.1	0.1	2.4	22.7
NIKKEI	23,828	(0.2)	2.7	0.4	2.1	14.2
Shanghai Comp	2,876	0.3	(3.4)	(7.1)	(1.2)	8.4
SENSEX	41,142	(0.4)	1.0	(0.7)	2.0	13.0
Brent (US\$/bbl)	54.47	(0.8)	(6.3)	(16.7)	(12.4)	(11.4)
Gold (US\$/oz)	1,570	0.2	(1.2)	1.2	7.9	20.1
CRB Index	401.8	0	(0.6)	(1.5)	2.7	(2.4)
Rogers Agri Index	738.8	0.3	0.5	(2.4)	1.7	(3.3)
LIBOR (3M)*	1.73	0	(2)	(12)	(17)	(96)
INR 5Y Swap*	6.45	(7)	(23)	(32)	(3)	(61)
India FII data (US\$ mn)						
FII-Debt	817.2	311.0	610.6	610.6	(958.3)	1,985.8
FII-Equity	(14.2)	74.4	448.5	448.5	1,821.2	9,210.4

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

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