

MACRO DAILY

10 January 2020

Macro developments

- News reports suggest that the government is considering reducing the requirement and number of days for starting a new business from 10 process and 18 days presently, to 5 process and 5 days. Instead of multiple forms, only two web-based forms- 'spice plus' and 'agile pro' will be needed. This will help improve India's ranking in ease of starting a business category (136 out of 190) in the World Bank Ease of Doing Business.
- China's PPI fell by (-) 0.5% in Dec'19 vs (-) 1.4% in Nov'19, led by manufactured goods (-1.3% vs -2.2%). Marginal easing was driven by higher prices of coal and petroleum. PPI in CY19 rose by 0.3% vs 3.5% in CY18. Separately, CPI rose by 4.5% in Dec'19, unchanged from Nov'19, taking CY19 average to 2.9%. Elevated prices are driven by food inflation (17.4%), particularly pork (97%). Core inflation remains steady at 1.4%.
- Germany's industrial production surprised positively to rise by 1.1% in Nov'19 (est: 0.8%) vs (-) 1% in Oct'19 on MoM basis. This was driven by capital goods (2.4% vs -4.2%). Separately, exports declined to (-) 2.3% in Nov'19 from 1.5% in Oct'19 on a MoM basis. Imports too declined by (-) 1.6% vs (-) 0.1% in Oct'19.

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Markets

- Bonds:** Global yields closed mixed amidst easing tensions between US and Iran. US 10Y yield fell by 2bps (1.85%) awaiting jobs data. UK 10Y yield closed stable (0.82%) as UK lawmakers approved Brexit deal. Oil prices fell by (-) 0.1% (US\$ 65/bbl). Thus, India's 10Y yield closed lower by 3bps (6.53%). However, it is trading higher at 6.59% today.
- Currency:** Global currencies closed mixed. JPY fell by (-) 0.4% on waning risk-sentiment as US-Iran tensions subsided. DXY rose by 0.2% ahead of US jobs report. INR appreciated by 0.7% as oil prices eased. It opened higher today in line with other Asian currencies.
- Equity:** Global indices closed higher as US-Iran conflict eased. Nikkei (2.3%) surged the most, followed by Sensex (1.6%). The jump in Sensex was supported by global cues and DII inflows of Rs 4.2bn. Real estate and auto stocks advanced the most. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.85	(2)	(2)	4	19	(89)
UK	0.82	0	3	6	23	(45)
Japan	0.01	1	2	1	21	(1)
Germany	(0.18)	3	4	13	29	(43)
India	6.53	(3)	3	(13)	7	(106)
China	3.12	(2)	(2)	(8)	(1)	0
2Y yields (Δ bps)						
US	1.58	0	1	(3)	4	(100)
UK	0.59	(4)	2	1	12	(19)
Japan	(0.13)	(1)	1	0	18	2
Germany	(0.60)	1	1	4	12	(0)
India#	5.69	(3)	(8)	(4)	3	(131)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1106	0	(0.6)	0.4	0.9	(3.4)
GBP	1.3067	(0.2)	(0.6)	(0.6)	5.0	2.5
JPY	109.52	(0.4)	(0.9)	(0.9)	(1.4)	(1.0)
AUD	0.6858	(0.1)	(1.9)	0.5	1.4	(4.6)
INR	71.21	0.7	0.2	(0.2)	(0.2)	(1.1)
CNY	6.9318	0.2	0.5	1.5	2.6	(2.1)
Equity & Other indices (Δ %)						
Dow	28,957	0.7	0.3	3.8	9.3	20.6
FTSE	7,598	0.3	(0.1)	5.0	5.7	9.4
DAX	13,495	1.3	0.8	3.0	10.9	23.6
NIKKEI	23,740	2.3	0.4	1.3	10.2	17.7
Shanghai Comp	3,095	0.9	0.3	6.2	5.0	22.1
SENSEX	41,452	1.6	(0.4)	2.4	9.4	14.8
Brent (US\$/bbl)	65.37	(0.1)	(1.3)	1.7	10.6	6.0
Gold (US\$/oz)	1,552	(0.3)	1.5	6.2	3.9	20.6
CRB Index	407.8	1.5	1.3	4.3	5.1	(0.8)
Rogers Agri Index	757.3	0.3	(0.4)	4.0	6.5	(1.5)
LIBOR (3M)*	1.83	(4)	(7)	(5)	(15)	(96)
INR 5Y Swap*	6.77	0	10	25	40	(46)
India FII data (US\$ mn)						
	8 Jan	7 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	9.1	(78.3)	(543.3)	(913.8)	(913.8)	2,030.3
FII-Equity	(47.9)	(85.4)	(135.9)	248.6	248.6	7,637.8

Source: Bloomberg, Bank of Baroda | *#6.17 GS 2021 | *Indicates change in bps

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