

## MACRO DAILY

10 October 2019

### Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 197bn and stood at Rs 22tn for the week ending 4 Oct 2019. Reserve money rose by 14.3% on a YoY basis, compared with 17.5% a year ago. On a FYTD basis, reserve money increased by 2.3% as against 2.4% last year.
- In a bid to boost consumption demand, central government has announced 5% hike in Dearness Allowance (DA) from 12% to 17% for ~11.5mn employees and pensioners. The hike will be w.e.f. Jul'19 and will cost the exchequer additional Rs 160bn. In addition, to make payments under PM-KISAN immediately possible, the cabinet has also approved relaxation of mandatory requirement of aadhaar seeding for receiving funds till 30 Nov.
- US FOMC minutes noted the Sep'19 rate cut was to insulate the economy from growing risks emanating from trade uncertainty and concerns surrounding slowdown in global economy. However, the members remained divided as 7 members expects another rate cut by Dec'19, while 5 members do not expect any more rate cuts this year. Likelihood of lower growth in income and consumption driven by weaker investment and business activity, added to the concerns.

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### Markets

- **Bonds:** Global yields closed mixed. US 10Y yield rose by 5bps (1.58%) on the back of positive developments surrounding US-China trade deal. Crude prices inched up slightly by 0.1% to US\$ 58.3/bbl due to geopolitical tensions in the Middle East. India's 10Y yield fell by 2bps on hopes of further rate cut by RBI. It is trading marginally higher at 6.67% today.
- **Currency:** Except CNY and EUR, other global currencies closed lower against the dollar. DXY was flat after reports that China might agree to a partial trade deal with the US. INR depreciated by (-) 0.1%. In line with other Asian currencies, INR is trading higher today.
- **Equity:** Barring Nikkei, global indices closed higher as news reports suggest that US is expected to postpone tariff hike (due next week) in exchange for a currency pact with China. Sensex rose by 1.7%, ending 6 day losing streak after government announced measures to boost consumption. However, it is trading lower today; while Asian stocks are trading higher.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.58	5	(2)	(15)	(48)	(158)
UK	0.46	4	(4)	(18)	(30)	(127)
Japan	(0.20)	0	(4)	2	(8)	(36)
Germany	(0.55)	5	0	0	(24)	(110)
India	6.66	(2)	5	8	12	(137)
China	3.12	(2)	0	8	(6)	(50)
<b>2Y yields (Δ bps)</b>						
US	1.47	5	(1)	(21)	(36)	(138)
UK	0.37	5	(2)	(11)	(21)	(55)
Japan	(0.31)	1	(1)	(2)	(13)	(19)
Germany	(0.76)	3	1	9	(2)	(23)
India	5.65	(2)	0	(7)	(56)	(209)
China#	2.56	0	2	(3)	(3)	(37)
<b>Currencies (Δ %)</b>						
EUR	1.0971	0.1	0.1	(0.7)	(2.5)	(4.8)
GBP	1.2206	(0.1)	(0.8)	(1.2)	(2.4)	(7.5)
JPY	107.48	(0.4)	(0.3)	0.1	0.9	4.3
AUD	0.6725	0	0.3	(2.0)	(3.4)	(4.7)
INR	71.07	(0.1)	(0.3)	0.9	(3.6)	4.2
CNY	7.1322	0.2	(0.0)	(0.3)	(3.8)	(3.0)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,346	0.7	1.0	(2.1)	(1.9)	2.9
FTSE	7,167	0.3	0.6	(1.4)	(4.8)	0.3
DAX	12,094	1.0	1.4	(1.4)	(2.3)	3.3
NIKKEI	21,456	(0.6)	(1.5)	0.3	(0.4)	(8.7)
Shanghai Comp	2,925	0.7	(1.0)	(3.2)	0.3	7.3
SENSEX	38,178	1.7	0.2	2.8	(1.0)	9.8
Brent (US\$/bbl)	58.32	0.1	1.1	(6.5)	(13.0)	(29.8)
Gold (US\$/oz)	1,506	0	0.4	1.3	6.1	26.0
CRB Index	387.2	0.3	(0.3)	0.9	(4.1)	(7.1)
Rogers Agri Index	717.4	0.2	0.9	4.7	(3.4)	(8.2)
LIBOR (3M)*	2.01	0	(5)	(12)	(33)	(42)
INR 5Y Swap*	6.27	(3)	(11)	17	(25)	(162)
<b>India FII data (US\$ mn)</b>						
	<b>7 Oct</b>	<b>4 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	50.4	109.0	50.4	68.1	4,041.4	3,496.8
FII-Equity	(51.8)	(123.8)	(51.8)	(548.7)	7,612.1	766.9

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps | #1Y yield | Note: Markets in India were closed on 8 Oct 2019.

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