

MACRO DAILY

10 December 2019

Macro developments

- ADB has sharply cut India's growth forecast for FY20 to 5.1% from 6.5% earlier due to stress in the NBFC sector and muted consumption growth. Growth is expected to recover to 6.5% in FY21 (7.2% in Sep'19) supported by both monetary and fiscal support. Growth forecast for China has also been cut to 6.1% (6.2%) and 5.8% (6%) respectively in CY19 and CY20.
- India's auto sales deteriorated further with passenger car sales plunging to (-) 10.8% in Nov'19 after recovering by (-) 6.3% in Oct'19 on the back of festive demand (-33.4% in Sep'19). Two wheeler sales fell by (-14.3%) at the same pace as last month. CV sales declined, albeit at a slower pace of (-) 15% in Nov'19 vs (-) 23.3% in Oct'19. Amidst growing signs of weakness in domestic economy, recovery in auto sector remains difficult.
- Germany's ZEW economic sentiment index rose sharply to 10.1 points in Dec'19 from (-) 2.1 points in Nov'19. This was driven by better than expected trade and labour market data for Germany (Oct'19) and Q3CY19 GDP print of major Eurozone countries. In addition, hopes of positive outcome of US-China trade deal and Brexit talks also helped. The current sentiment also improved (-19.9 points vs -24.7 points).

Aditi Gupta | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except China and Japan, global yields closed higher. US 10Y yield rose by 2bps (1.84%) as reports suggest that US-China may agree to postpone the 15 Dec tariff deadline. US Fed rate decision is also awaited. Crude prices rose by 0.1% (US\$ 64/bbl). India's 10Y yield rose by 4bps (6.71%) as fiscal concerns re-emerge and is trading higher at 6.72% today.
- **Currency:** Global currencies closed mixed. DXY fell by (-) 0.2% ahead of Fed's policy decision. EUR rose by 0.3% as German economic sentiment improved. INR rose by 0.2% to more than a 1-month high. It is trading higher today, while other Asian currencies are trading mixed.
- **Equity:** Except Shanghai Comp, other global indices ended lower as investors focus shifted towards the upcoming elections in UK and await Fed's last rate decision for CY19. Sensex (-0.6%) dropped the most, dragged down by power and oil & gas stocks. However, it is trading higher today; 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	1.84	2	13	(10)	11	(104)
UK	0.80	4	13	1	16	(39)
Japan	(0.01)	(1)	1	4	21	(6)
Germany	(0.30)	1	5	(3)	25	(53)
India	6.71	4	24	15	3	(82)
China	3.20	0	0	(7)	16	(10)
2Y yields (Δ bps)						
US	1.65	4	11	(2)	(2)	(111)
UK	0.59	2	9	4	12	(10)
Japan	(0.12)	1	4	5	17	3
Germany	(0.63)	0	0	(2)	21	(3)
India	5.75	2	39	19	3	(138)
China	2.59	(2)	(3)	(9)	1	9
Currencies (Δ %)						
EUR	1.1092	0.3	0.1	0.7	0.4	(2.0)
GBP	1.3156	0.1	1.2	3.0	6.5	5.4
JPY	108.72	(0.1)	(0.1)	0.5	(1.1)	4.1
AUD	0.6809	(0.2)	(0.6)	(0.8)	(0.8)	(5.5)
INR	70.93	0.2	1.0	0.5	1.0	1.3
CNY	7.0342	0.1	0.4	(0.5)	1.1	(1.9)
Equity & Other indices (Δ %)						
Dow	27,882	(0.1)	1.4	0.7	3.6	14.4
FTSE	7,214	(0.3)	0.8	(2.0)	(0.7)	6.0
DAX	13,071	(0.3)	0.6	(1.2)	6.5	21.2
NIKKEI	23,410	(0.1)	0.1	0.1	9.4	10.7
Shanghai Comp	2,917	0.1	1.1	(1.6)	(3.4)	12.5
SENSEX	40,240	(0.6)	(1.1)	(0.2)	8.3	14.5
Brent (US\$/bbl)	64.34	0.1	5.8	2.9	3.1	6.9
Gold (US\$/oz)	1,464	0.2	(0.9)	0.4	(1.4)	17.8
CRB Index	393.3	0.6	2.0	0.7	2.5	(5.2)
Rogers Agri Index	732.0	0.6	1.3	0.2	6.8	(5.8)
LIBOR (3M)*	1.89	0	0	(1)	(24)	(89)
INR 5Y Swap*	6.53	1	19	3	43	(77)
India FII data (US\$ mn)						
	9 Dec	6 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	6.1	66.3	6.1	244.7	4,489.4	3,944.8
FII-Equity	103.1	(10.4)	103.1	(35.2)	13,337.2	6,492.0

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com