

MACRO DAILY

11 February 2020

Macro developments

- The slowdown in India's auto sales continued in Jan'20 with passenger car sales declining by (-) 8.1% vs (-) 8.4% in Dec'19. Two wheeler sales too continued to disappoint as it fell by (-) 16.1% in Jan'20 vs (-) 16.6% in Dec'19. Even CV sales slumped further to (-) 14% in Jan'20 from (-) 12.3% in Dec'19, signalling ongoing stress in the automobile sector.
- China's PPI rose by 0.1% in Jan'20 on a YoY basis from (-) 0.5% in Dec'19. The rise was mainly led by oil & natural gas extraction (17.5% vs 5.8%) and non-ferrous metal mining (2.4% vs 1.7%). On the other hand, CPI continues to remain elevated at 5.4% in Jan'20 vs 4.5% in Dec'19 on the back of higher food inflation. Apart from coronavirus hitting supply chains (city lockdowns), prices were also impacted by Lunar New Year holiday.
- Japan's current account surplus rose for the first time in two years in CY19 to ¥ 20.1tn vs ¥ 19.2tn in CY18. This was led by services trade which recorded a surplus for the first time in history at ¥ 175.8bn led by travel services. On the other hand, goods surplus shrank to ¥ 553.6bn vs ¥ 1.2tn in CY18 as exports declined by (-) 6.3% amidst slowing global demand.

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Markets

- **Bonds:** Except India (flat), global yields closed lower. Concerns over economic impact of coronavirus drove yields lower. US 10Y yield fell by 1bps (1.57%). Oil prices fell by (-) 2.2% (US\$ 53/bbl) owing to fears of over-supply and weak Chinese demand. India's 10Y yield remained flat at 6.44% ahead of the CPI print. It is trading at similar levels today.
- **Currency:** Barring JPY (flat) and EUR (-0.2%), other global currencies closed higher. DXY (+0.1%) rose for the 6th straight session amidst better macro prints. EUR depreciated by (-) 0.3% as Italy's industrial production fell more than expected in Dec'19. INR rose on the back of lower oil prices. It is trading further higher today, in line with other Asian currencies.
- **Equity:** Apart from Dow and Shanghai Comp, other global indices ended lower. Dow (0.6%) ended in green led by gains in tech stocks and strong jobs report. Sensex on the other hand slipped by (-) 0.4%, dragged down by metal and auto stocks. 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	1.57	(1)	4	(25)	(37)	(108)
UK	0.56	(1)	4	(21)	(25)	(62)
Japan	(0.06)	(2)	0	(6)	1	(3)
Germany	(0.41)	(3)	3	(21)	(17)	(53)
India	6.44	0	(6)	(15)	(12)	(91)
China	2.79	(1)	(21)	(29)	(43)	(29)
2Y yields (Δ bps)						
US	1.39	(1)	4	(18)	(28)	(109)
UK	0.49	(1)	1	(4)	(8)	(25)
Japan	(0.15)	(1)	(2)	(2)	4	1
Germany	(0.64)	0	3	(4)	(3)	(7)
India	5.76	0	(25)	(40)	21	(97)
China	2.23	(7)	(5)	(42)	(46)	(18)
Currencies (Δ %)						
EUR	1.0911	(0.3)	(1.3)	(1.9)	(1.1)	(3.2)
GBP	1.2915	0.2	(0.6)	(1.1)	0.5	0.5
JPY	109.77	0	(1.0)	(0.3)	(0.7)	0.6
AUD	0.6687	0.2	(0.1)	(3.1)	(2.4)	(5.3)
INR	71.29	0.2	0.1	(0.5)	0.2	(0.2)
CNY	6.9844	0.3	0.5	(0.9)	0.4	(2.8)
Equity & Other indices (Δ %)						
Dow	29,277	0.6	3.1	1.6	5.7	16.9
FTSE	7,447	(0.3)	1.6	(1.9)	1.6	4.5
DAX	13,494	(0.1)	3.4	0.1	2.2	22.5
NIKKEI	23,686	(0.6)	3.1	(0.7)	1.5	13.5
Shanghai Comp	2,890	0.5	5.2	(6.5)	(0.7)	8.9
SENSEX	40,980	(0.4)	2.8	(1.5)	1.6	12.6
Brent (US\$/bbl)	53.27	(2.2)	(2.2)	(18.0)	(14.3)	(13.4)
Gold (US\$/oz)	1,572	0.1	(0.3)	0.6	8.0	20.2
CRB Index	401.6	0	(0.5)	(1.4)	2.6	(2.4)
Rogers Agri Index	738.5	0	0.9	(3.0)	1.6	(3.3)
LIBOR (3M)*	1.73	0	(1)	(11)	(17)	(96)
INR 5Y Swap*	6.46	1	(14)	(31)	(2)	(60)
India FII data (US\$ mn)						
	7 Feb	6 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	516.0	817.2	1,126.6	1,126.6	(442.3)	2,501.8
FII-Equity	1,395.7	(14.2)	1,844.2	1,844.2	3,216.8	10,606.0

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

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