

## MACRO DAILY

12 December 2019

### Macro developments

- Union Cabinet has approved NHAI's proposal to set up an Infrastructure Investment Trust (InvIT) and monetise its completed highway projects. The completed projects will be bundled together to form a SPV. This SPV will then be offered to investors and will also be traded on stock exchange. Returns will be linked to fund's performance in the capital market. FY20's budget had authorised NHAI to raise Rs 750bn from market.
- RBI bought net US\$ 7.1bn in the spot market in Oct'19 vs US\$ 5.6bn in Sep'19. In FYTD20, RBI has purchased US\$ 18.5bn in the spot market vs net sales of US\$ 25.9bn last year. RBI's net forward position remained unchanged at (-) US\$ 7.5bn in Oct'19 (- US\$ 2.9bn in Oct'18).
- US Fed in its latest policy kept fund rate unchanged at 1.5-1.75%. The dot plot indicated mostly status quo in rate in CY20. Median expectation of fund rate has been at 1.6% both in CY19 and CY20. Inflation forecast has been revised to 1.6% vs 1.8% earlier. In a separate print, US CPI rose by 0.3% in Nov'19 (est. 0.2%) vs 0.4% in Oct'19, led by higher gasoline prices. On a YoY basis, CPI rose by 2.1% vs 1.8% in Oct'19. Core CPI was stable at 2.3% in Nov'19.

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### Markets

- Bonds:** Global yields closed mixed ahead of US-China tariff deadline, UK election and ECB policy. US 10Y yield fell by 5bps (1.79%) as Fed signalled status quo in rates based on incoming data. Oil prices fell by (-) 1% (US\$ 64/bbl) over buildup in US inventories. India's 10Y yield rose by 5bps (6.76%) as headline CPI is expected to touch 40-month high in Nov'19 (5.34%). It is trading at 6.75% today.
- Currency:** Barring CNY, other global currencies closed higher against the dollar. DXY fell by (-) 0.3% as Fed quashed hopes of a rate hike. INR (0.1%), appreciated for the 6th straight session to more than 1-month high. It is trading higher today in line with other Asian currencies.
- Equity:** Except Nikkei and FTSE, other global indices ended higher as Fed signalled no rate hike in CY20. FTSE closed flat ahead of polling in UK elections. Sensex rose by 0.4%, driven by power and oil & gas stocks. It is trading even higher today, in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.79	(5)	2	(15)	5	(112)
UK	0.77	(3)	3	(4)	14	(51)
Japan	0.00	2	4	7	20	(5)
Germany	(0.32)	(3)	(1)	(8)	24	(60)
India	6.76	5	30	20	8	(65)
China	3.19	(1)	(1)	(3)	13	(10)
<b>2Y yields (Δ bps)</b>						
US	1.61	(4)	4	(6)	(6)	(116)
UK	0.58	(2)	0	1	9	(18)
Japan	(0.12)	0	4	8	15	2
Germany	(0.64)	(1)	(1)	(3)	20	(8)
India	5.77	2	39	21	5	(128)
China	2.60	0	(2)	(7)	1	9
<b>Currencies (Δ %)</b>						
EUR	1.1130	0.3	0.5	0.9	1.1	(2.1)
GBP	1.3196	0.3	0.7	2.7	7.1	4.5
JPY	108.56	0.1	0.3	0.4	(0.7)	4.2
AUD	0.6876	1.0	0.4	0.4	0.2	(4.8)
INR	70.84	0.1	1.0	0.9	1.2	1.6
CNY	7.0388	(0.1)	0.2	(0.4)	1.1	(2.3)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,911	0.1	0.9	0.8	2.9	13.8
FTSE	7,216	0	0.4	(1.5)	(1.7)	4.9
DAX	13,147	0.6	0	(0.4)	6.4	20.3
NIKKEI	23,392	(0.1)	1.1	0.3	8.3	8.3
Shanghai Comp	2,924	0.2	1.6	0.5	(2.8)	12.4
SENSEX	40,413	0.4	(1.1)	0.2	8.4	13.0
Brent (US\$/bbl)	63.72	(1.0)	1.1	2.5	4.8	5.9
Gold (US\$/oz)	1,475	0.7	0	1.3	(1.5)	18.4
CRB Index	393.9	0.2	1.9	0.7	2.5	(5.1)
Rogers Agri Index	727.8	(0.6)	0.7	0.1	6.2	(6.9)
LIBOR (3M)*	1.89	0	0	(2)	(24)	(89)
INR 5Y Swap*	6.56	3	25	8	38	(65)
<b>India FII data (US\$ mn)</b>						
	<b>10 Dec</b>	<b>9 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(556.1)	6.1	(549.9)	(311.4)	3,933.4	3,388.7
FII-Equity	(25.7)	103.1	77.4	(60.8)	13,311.6	6,466.4

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

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