

MACRO DAILY

12 February 2020

Macro developments

- RBI bought net US\$ 4.4bn in the spot market in Dec'19 vs US\$ 6.9bn in Nov'19. In FYTD20, RBI has purchased US\$ 29.7bn in the spot market vs net sales of US\$ 25.9bn last year. In the forwards market, RBI purchased US\$ 4.3bn vs US\$ 1.3bn in Nov'19. In FYTD20, RBI has purchased US\$ 11.9bn in the forwards market. RBI's net outstanding forward position is at (-) US\$ 1.9bn vs (-) 2.4bn in Dec'18.
- UK GDP growth stagnated in Q4CY19 (0%) vs 0.5% in Q3CY19. This was led by sustained contraction in production output (-0.1% vs -0.02%) and slowdown in construction sector (+0.07% vs +0.03%). CY19 growth slowed to 1.4% vs 1.6% in CY18, led by Brexit related risks. Separately, UK's industrial production rebounded to 0.1% in Dec'19 vs (-) 1.1% in Nov'19.
- In line with market expectations, Reserve Bank of New Zealand held the policy rate unchanged at 1% (75bps cut in CY19). The decision was on the back of stabilizing domestic indicators. Consumer confidence, wage growth, house prices have seen an uptick in the last few months. Impact of coronavirus is estimated to be limited and is expected to fade in H2CY20.

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Markets

- **Bonds:** Except Japan (flat), global yields closed higher, as concerns over coronavirus eased and risk-appetite of investors improved. US 10Y yield rose by 3bps (1.6%). Oil prices also recovered, rising by 1.4% (US\$ 54/bbl) on the hopes of improved global demand. India's 10Y yield rose by 2bps to 6.47% ahead of the CPI print. It is trading marginally higher (6.48%) today.
- **Currency:** Global currencies closed mostly higher. AUD and CNY rose by 0.4% and 0.3% as risk sentiment improved on the back of easing fears of spread of coronavirus. DXY was marginally lower (-0.1%) after rising for six straight sessions. INR closed flat. It is trading further higher today, in line with other Asian currencies.
- **Equity:** Except Nikkei and Dow (flat), other global indices ended higher as fears of coronavirus receded. Amongst other indices, Dax (1%) rose the most followed by Sensex (0.6%). The gain in Sensex was on the back of positive global cues. It was further supported by strong gains in power and metal 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	1.60	3	0	(22)	(33)	(109)
UK	0.57	1	0	(20)	(24)	(62)
Japan	(0.06)	0	(1)	(6)	(4)	(4)
Germany	(0.39)	2	1	(19)	(14)	(52)
India	6.47	2	(4)	(12)	(10)	(89)
China	2.83	4	(3)	(25)	(42)	(24)
2Y yields (Δ bps)						
US	1.42	3	1	(15)	(24)	(108)
UK	0.50	2	0	(2)	(6)	(23)
Japan	(0.15)	0	0	(2)	1	1
Germany	(0.64)	0	2	(4)	(1)	(7)
India	5.79	3	(22)	(38)	23	(93)
China	2.23	(7)	(5)	(42)	(43)	(13)
Currencies (Δ %)						
EUR	1.0916	0	(1.2)	(1.8)	(0.8)	(3.6)
GBP	1.2952	0.3	(0.6)	(0.9)	0.8	0.5
JPY	109.79	0	(0.2)	(0.3)	(0.7)	0.6
AUD	0.6714	0.4	(0.4)	(2.7)	(1.9)	(5.4)
INR	71.29	0	0	(0.5)	0.3	(0.9)
CNY	6.9653	0.3	0.5	(0.7)	0.6	(2.8)
Equity & Other indices (Δ %)						
Dow	29,276	0	1.6	1.6	5.7	15.1
FTSE	7,499	0.7	0.8	(1.2)	1.8	5.1
DAX	13,628	1.0	2.6	1.1	2.6	22.5
NIKKEI	23,686	(0.6)	2.6	(0.7)	0.7	13.5
Shanghai Comp	2,902	0.4	4.3	(6.2)	(0.5)	8.6
SENSEX	41,216	0.6	1.0	(0.9)	2.2	14.0
Brent (US\$/bbl)	54.01	1.4	0.1	(16.9)	(13.0)	(13.5)
Gold (US\$/oz)	1,568	(0.3)	1.0	0.4	7.7	19.6
CRB Index	402.8	0	(0.3)	(1.1)	2.8	(2.2)
Rogers Agri Index	737.2	(0.2)	0.5	(3.2)	0.9	(4.0)
LIBOR (3M)*	1.71	(2)	(2)	(12)	(20)	(98)
INR 5Y Swap*	6.48	3	(13)	(28)	2	(57)
India FII data (US\$ mn)						
	10 Feb	7 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	301.4	516.0	301.4	1,428.0	(140.9)	2,803.2
FII-Equity	(70.5)	1,395.7	(70.5)	1,773.7	3,146.3	10,535.5

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

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