

## MACRO DAILY

13 December 2019

### Macro developments

- India's IIP surprised positively at (-) 3.8% in Oct'19 vs (-) 4.3% in Sep'19. Except intermediate goods, other categories deteriorated. CPI inflation rose to 5.5% in Nov'19 (4.6% in Oct'19) led by food (10%). Core also rose by 10bps but is likely to remain below 4% given subdued growth. We expect RBI to remain on hold till Q1FY21 as inflation remains above 4%.
- ECB in its latest policy kept rates unchanged with main deposit rate at its historic low of (-) 0.5%. Real GDP growth for CY19 is estimated at 1.2%; for CY20 it has been revised downward by 10bps to 1.1%. The policy statement reiterated that rate will remain at the current level or lower unless inflation converges to its targeted 2% and growth outlook improves.
- US PPI remained flat in Nov'19 vs +0.4% in Oct'19. Prices of goods decelerated by 0.3% in Nov'19 vs 0.7% in Oct'19, driven by residential electricity and industrial chemicals. Prices of services fell by (-) 0.3%, led by trade services. Separately, initial jobless claims for the week ended 7 Dec surged to 252,000 - highest since Sep'17, owing to seasonal factors.

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### Markets

- Bonds:** Except Japan and China, global yields closed higher over likely resolution of US-China trade deal. Thus, US 10Y yield rose by 10bps (1.89%). Oil prices rose by 0.8% (US\$ 64/bbl) over receding fears of slowing demand. India's 10Y yield rose by 1bps (6.78%). It is trading higher at 6.82% today, over elevated headline CPI print in Nov'19.
- Currency:** Reports that US and China are close to a trade deal lifted DXY (+0.3%) and CNY (0.8%). JPY fell by (-) 0.7% on waning risk sentiment. GBP depreciated by (-) 0.3% ahead of the UK poll results. INR closed flat. It is trading higher today in line with other Asian currencies.
- Equity:** Except Shanghai Comp, other global indices ended higher. Optimism over US-China trade deal, UK exit polls showing resounding victory for Conservatives and ECB's policy decision lifted investor sentiments. Sensex rose by 0.4%, driven by metal and auto 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	1.89	10	8	(5)	12	(102)
UK	0.82	5	5	1	15	(47)
Japan	(0.01)	(2)	2	5	20	(7)
Germany	(0.27)	5	3	(2)	25	(55)
India	6.78	1	16	21	11	(63)
China	3.19	0	0	(3)	10	(16)
<b>2Y yields (Δ bps)</b>						
US	1.66	4	7	(2)	(6)	(110)
UK	0.58	1	0	1	4	(19)
Japan	(0.13)	(1)	3	6	15	2
Germany	(0.63)	2	0	(1)	10	(4)
India	5.77	0	17	21	5	(121)
China	2.59	0	(2)	(9)	1	9
<b>Currencies (Δ %)</b>						
EUR	1.1130	0	0.2	0.9	0.6	(2.0)
GBP	1.3161	(0.3)	0	2.4	6.7	4.1
JPY	109.31	(0.7)	(0.5)	(0.2)	(1.1)	3.8
AUD	0.6909	0.5	1.1	0.8	0.6	(4.4)
INR	70.84	0	0.6	0.9	0.4	1.2
CNY	6.9849	0.8	0.9	0.4	1.3	(1.5)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,132	0.8	1.6	1.6	3.5	14.4
FTSE	7,273	0.8	1.9	(0.8)	(1.0)	5.8
DAX	13,222	0.6	1.3	0.2	6.5	21.0
NIKKEI	23,425	0.1	0.5	0.4	7.7	7.4
Shanghai Comp	2,916	(0.3)	0.6	0.2	(3.8)	10.7
SENSEX	40,582	0.4	(0.5)	0.6	9.4	12.9
Brent (US\$/bbl)	64.20	0.8	1.3	3.2	6.3	4.5
Gold (US\$/oz)	1,470	(0.3)	(0.4)	1.0	(2.0)	18.3
CRB Index	394.8	0.2	2.0	0.9	2.6	(5.2)
Rogers Agri Index	736.0	1.1	1.6	1.3	5.5	(5.8)
LIBOR (3M)*	1.89	0	0	(2)	(23)	(90)
INR 5Y Swap*	6.58	2	18	10	32	(68)
<b>India FII data (US\$ mn)</b>						
	<b>11 Dec</b>	<b>10 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	78.4	(556.1)	(471.5)	(233.0)	4,011.8	3,467.1
FII-Equity	54.2	(25.7)	131.6	(6.6)	13,365.8	6,520.6

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

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