

MACRO DAILY

13 February 2020

Macro developments

- India's CPI jumped to 7.6% in Jan'20 from 7.4% in Dec'19 led by increase in pulses, protein and cereal inflation. Core also rose by more than 40bps to 4.2% in Jan'20 and the increase was broad-based, with telecom & communication rising the most. Additionally, IIP surprised negatively at (-) 0.3% in Dec'19 vs 1.8% in Nov'19. Capital goods (-18.2% vs -8.2%) contracted the most followed by consumer durables (-6.7% vs -1.6%).
- RBI reported that currency in circulation (CIC) increased by Rs 265.5bn and stood at Rs 23.3tn for the week ending 7 Feb 2020. Reserve money rose by 11.4% on a YoY basis, compared with 16.7% a year ago. On a FYTD basis, reserve money increased by only 6.3% as against 9.2% last year.
- Industrial production in Euro Area fell to 4-year low in Dec'19 to (-) 2.1% (est. -1.7%) from 0% in Nov'19 on a MoM basis. This was led by capital (-4% vs 0.9%) and intermediate goods (-1.7% vs -0.8%). Production declined significantly in all major economies in Dec'19 suggesting that GDP growth in Q4CY19 might be weaker than previously estimated.

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Markets

- Bonds:** Barring China (flat), global yields closed higher, as concerns over coronavirus eased further as new cases continue to drop. US 10Y yield rose by 3bps (1.63%). Oil prices rose by 3.3% (US\$ 56/bbl) after OPEC hinted at production cuts. India's 10Y yield rose by 1bps to 6.48% and is trading a tad lower (6.47%) today despite higher than expected inflation print.
- Currency:** Except GBP and AUD, other currencies closed lower. DXY rose to its highest in 4-months as concerns over the spread of coronavirus receded. EUR fell by (-) 0.4% to its lowest since May'17 on the back of weak industrial production print. INR was marginally lower. It is trading further lower today while other Asian currencies are trading mixed.
- Equity:** Global indices closed higher as coronavirus fears continue to subside. Amongst other indices, Dow, Dax and Shanghai Comp rose by 0.9% each. Sensex (0.8%) too ended in green driven by global cues and supported by gains in banking and metal stocks. It is trading lower 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	1.63	3	(2)	(21)	(25)	(107)
UK	0.61	4	(1)	(14)	(15)	(57)
Japan	(0.03)	2	0	(5)	1	(3)
Germany	(0.38)	1	(2)	(22)	(8)	(50)
India	6.48	1	(3)	(12)	(4)	(82)
China	2.84	0	(3)	(26)	(40)	(24)
2Y yields (Δ bps)						
US	1.44	2	0	(14)	(19)	(109)
UK	0.53	3	3	5	(2)	(20)
Japan	(0.15)	1	(1)	(1)	4	1
Germany	(0.64)	0	1	(5)	(1)	(8)
India	5.76	(3)	(24)	(41)	22	(96)
China	2.23	(7)	(5)	(42)	(46)	(13)
Currencies (Δ %)						
EUR	1.0874	(0.4)	(1.1)	(2.3)	(1.2)	(3.4)
GBP	1.2960	0.1	(0.3)	(0.2)	0.8	0.9
JPY	110.09	(0.3)	(0.2)	(0.1)	(1.2)	0.8
AUD	0.6737	0.3	(0.1)	(2.4)	(1.5)	(5.0)
INR	71.35	(0.1)	(0.2)	(0.7)	0.9	(0.8)
CNY	6.9714	(0.1)	0	(1.1)	0.7	(3.1)
Equity & Other indices (Δ %)						
Dow	29,551	0.9	0.9	2.2	6.4	15.7
FTSE	7,534	0.5	0.7	(1.1)	2.5	4.8
DAX	13,750	0.9	2.0	2.2	3.9	23.1
NIKKEI	23,861	0.7	2.3	(0.7)	2.3	12.8
Shanghai Comp	2,927	0.9	3.9	(6.1)	0.7	7.6
SENSEX	41,566	0.8	1.0	(0.7)	3.6	15.4
Brent (US\$/bbl)	55.79	3.3	0.9	(13.1)	(10.5)	(12.3)
Gold (US\$/oz)	1,566	(0.1)	0.6	1.2	7.0	19.9
CRB Index	402.2	0	(0.5)	(1.2)	3.0	(2.3)
Rogers Agri Index	740.2	0.4	0.7	(2.8)	1.5	(3.7)
LIBOR (3M)*	1.71	(1)	(3)	(12)	(20)	(98)
INR 5Y Swap*	6.53	4	(5)	(27)	8	(45)
India FII data (US\$ mn)						
	11 Feb	10 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	12.5	301.4	313.9	1,440.5	(128.4)	2,815.7
FII-Equity	302.9	(70.5)	232.4	2,076.6	3,449.2	10,838.4

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

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