

MACRO DAILY

14 February 2020

Macro developments

- According to Ministry of Agriculture, India has clocked a record foodgrain production (final estimates) at 285.17mn tonnes in 2018-19 vs 285.01mn tonne in 2017-18. This is largely led by jump in production of both rice (+3%) and wheat (+4%). Sugarcane output is also higher by 7% in 2018-19. However, production of pulses has dropped by (-) 13% for the same period.
- RBI reported that credit growth for the fortnight ending 31 Jan 2020 eased to 7.1% from 7.2% as on 17 Jan 2020 and 14.5% in the same period last year. Deposit growth on the other hand inched up to 9.9% as of 31 Jan 2020 from 9.6% as on 17 Jan 2020 and 9.7% in the same period last year. While demand deposits increased (15.6% vs 9.6%), time deposits eased.
- US inflation moderated to 0.1% in Jan'20 vs 0.2% in Dec'19 on a MoM basis led by a dip in gasoline prices (-1.6% vs 3.1%). Core CPI (excl. food and energy) however edged up to 0.2% vs 0.1% as prices of apparel and accommodation rose. Separately, US jobless claims for the week ending 8 Feb 2020 rose less than expected by 2,000 to 205,000 (est. 210,000) suggesting tightening labour market conditions.

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Markets

- Bonds:** Barring UK and Japan, global yields closed lower, driven by renewed fears over coronavirus contagion. UK 10Y yield rose by 5bps on expectations of higher fiscal stimulus. US 10Y yield fell by 2bps (1.62%) owing to tamed CPI and resilient labour market. Oil prices rose by 1% (US\$ 56.3/bbl). Following global cues, India's 10Y yield fell by 5bps to 6.43% and is trading flat today.
- Currency:** Global currencies closed mixed as the death toll due to the coronavirus outbreak rose sharply. DXY closed flat. GBP rose by 0.7% on expectations of a fiscal stimulus in the upcoming Budget. INR is trading stable today, while other Asian currencies are trading lower.
- Equity:** Global indices closed lower as coronavirus fears weighed in on investors sentiments. Amongst other indices, FTSE (-1.1%) dropped the most followed by Shanghai Comp (-0.7%). Sensex (-0.3%) too slipped in red on the back of weaker macro prints, led by consumer durable 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 | 1.62 | (2) | (2) | (23) | (20) | (104) |
| UK | 0.65 | 4 | 7 | (10) | (6) | (50) |
| Japan | (0.03) | 0 | (2) | (5) | 3 | (2) |
| Germany | (0.39) | (1) | (2) | (23) | (4) | (49) |
| India | 6.43 | (5) | (2) | (17) | (9) | (91) |
| China | 2.83 | (1) | (1) | (27) | (42) | (26) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.44 | 0 | (0) | (14) | (15) | (105) |
| UK | 0.56 | 3 | 8 | 8 | 3 | (18) |
| Japan | (0.15) | 0 | (2) | (1) | 4 | 2 |
| Germany | (0.64) | (1) | (1) | (6) | 0 | (9) |
| India | 5.74 | (2) | (8) | (43) | 25 | (100) |
| China | 2.23 | (7) | (5) | (42) | (44) | (7) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.0841 | (0.3) | (1.3) | (2.6) | (1.6) | (4.0) |
| GBP | 1.3046 | 0.7 | 0.9 | 0.4 | 1.3 | 1.9 |
| JPY | 109.82 | 0.2 | 0.2 | 0.1 | (1.3) | 0.6 |
| AUD | 0.6719 | (0.3) | (0.2) | (2.7) | (1.0) | (5.4) |
| INR | 71.33 | 0 | (0.2) | (0.7) | 0.9 | (0.2) |
| CNY | 6.9770 | (0.1) | (0.1) | (1.2) | 0.6 | (3.0) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 29,423 | (0.4) | 0.1 | 1.8 | 5.9 | 15.7 |
| FTSE | 7,452 | (1.1) | (0.7) | (2.2) | 2.2 | 3.5 |
| DAX | 13,745 | 0 | 1.3 | 2.2 | 4.3 | 23.9 |
| NIKKEI | 23,828 | (0.1) | (0.2) | (0.8) | 3.0 | 12.7 |
| Shanghai Comp | 2,906 | (0.7) | 1.4 | (6.7) | (0.1) | 6.9 |
| SENSEX | 41,460 | (0.3) | 0.4 | (1.0) | 2.9 | 15.6 |
| Brent (US\$/bbl) | 56.34 | 1.0 | 2.6 | (12.2) | (9.5) | (12.7) |
| Gold (US\$/oz) | 1,576 | 0.6 | 0.6 | 1.8 | 7.1 | 20.1 |
| CRB Index | 402.1 | 0 | (0.7) | (1.2) | 2.8 | (2.3) |
| Rogers Agri Index | 738.1 | (0.3) | 0.2 | (3.1) | 1.1 | (3.2) |
| LIBOR (3M)* | 1.70 | 0 | (3) | (13) | (20) | (99) |
| INR 5Y Swap* | 6.43 | (10) | (9) | (37) | 1 | (54) |
| India FII data (US\$ mn) | | | | | | |
| | 12 Feb | 11 Feb | WTD | MTD | CYTD | FYTD |
| FII-Debt | (104.3) | 12.5 | 209.6 | 1,336.1 | (232.7) | 2,711.4 |
| FII-Equity | (93.1) | 302.9 | 139.3 | 1,983.5 | 3,356.2 | 10,745.4 |

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

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