

MACRO DAILY

14 January 2020

Macro developments

- CPI in India spiked to 7.4% in Dec'19 from 5.5% in Nov'19, led by sharp acceleration in food prices (14.1%). Within food, vegetable prices rose the most at 60.5% in Dec'19 vs 36.1% in Nov'19. Core CPI too increased, to 3.8% in Dec'19 vs 3.5% in Nov'19, driven by transport & communication (4.8% vs 0.9%). Such high food inflation was last seen in FY14 (9.4%) and has coincided with uptick in global food prices (now at 5-year high).
- UK industrial production fell by (-) 1.2% in Nov'19 on MoM basis vs 0.1% growth in Oct'19. This was driven by sharp slowdown in manufacturing sector (-1.7% vs 0.2% increase in Oct'19), primarily in chemical products (-4.7% in Nov'19) & transport equipment (-3.4% in Nov'19). Mining & quarrying activities however picked up by 1.3% vs (-) 4.2% in Oct'19.
- Italy's retail trade declined on a MoM basis, in value terms to (-) 0.2% (-0.1% in Oct'19) in Nov'19. However, on a YoY basis, retail trade rose for the 6th month in a row by 0.9% in Nov'19. This was led by cosmetic & toilet articles (+3.8%), furniture & textile items (+2.2%) and sporting equipment (+1.3%) registering the biggest jump in Nov'19.

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed. Risk appetite improved ahead of US-China trade deal. Thus, gold prices inch down by (-) 0.9%. US 10Y yield rose by 3bps (1.85%). Oil prices fell by (-) 1.2% (US\$ 64/bbl) amidst receding tensions in the Middle East. India's 10Y yield rose by 1bps and is trading higher at 6.67% today, due to above 5-year high CPI in Dec'19.
- **Currency:** Global currencies closed mixed. DXY closed flat ahead of US CPI data release today. Gains in Yuan were supported by news of US lifting the designation of China as currency manipulator. Pound weakened post dismal macro print. INR appreciated by 0.1%. It opened higher today in line with other Asian currencies.
- **Equity:** Barring Dax, global indices closed higher led by optimism over the signing of US-China trade deal. Shanghai Comp rose the most. Sensex also closed on a record high during the ongoing earnings season, driven by global cues with real estate and tech stocks advancing the most. It is trading lower today; while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.85	3	4	2	12	(86)
UK	0.75	(2)	(2)	(4)	11	(55)
Japan	0.00	(1)	2	2	18	(2)
Germany	(0.16)	4	13	13	30	(39)
India	6.60	1	3	(19)	12	(63)
China	3.09	1	(4)	(11)	(7)	(5)
2Y yields (Δ bps)						
US	1.58	1	4	(2)	(1)	(95)
UK	0.49	(4)	(11)	(6)	(2)	(34)
Japan	(0.14)	0	1	(1)	16	1
Germany	(0.59)	1	4	3	12	1
India#	6.17	1	(6)	39	53	(80)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1134	0.1	(0.6)	0.1	1.0	(2.9)
GBP	1.2989	(0.6)	(1.4)	(2.6)	3.0	1.0
JPY	109.95	(0.5)	(1.5)	(0.5)	(1.4)	(1.7)
AUD	0.6904	0	(0.5)	0.4	1.9	(4.1)
INR	70.86	0.1	1.5	(0.1)	0.5	0.1
CNY	6.8932	0.4	1.2	1.2	2.5	(1.8)
Equity & Other indices (Δ %)						
Dow	28,907	0.3	0.7	2.7	7.9	20.9
FTSE	7,618	0.4	0.6	3.6	5.6	11.1
DAX	13,452	(0.2)	2.5	1.3	7.7	23.9
NIKKEI	23,851	0.5	2.8	(0.7)	10.7	18.3
Shanghai Comp	3,116	0.8	1.0	5.0	3.6	22.9
SENSEX	41,860	0.6	2.9	2.1	9.5	16.8
Brent (US\$/bbl)	64.20	(1.2)	(6.8)	(1.6)	8.2	8.8
Gold (US\$/oz)	1,548	(0.9)	(1.1)	4.8	3.7	19.8
CRB Index	407.1	(0.1)	1.4	2.7	3.9	(1.3)
Rogers Agri Index	761.5	0	0.9	3.0	4.9	(1.0)
LIBOR (3M)*	1.84	(1)	(3)	(6)	(16)	(94)
INR 5Y Swap*	6.80	3	14	21	40	(36)
India FII data (US\$ mn)						
	10 Jan	9 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(38.2)	13.5	(568.0)	(938.4)	(938.4)	2,005.7
FII-Equity	92.6	21.9	(21.4)	363.1	363.1	7,752.3

Source: Bloomberg, Bank of Baroda | *#6.17 GS 2021 | *Indicates change in bps

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com