

MACRO DAILY

14 November 2019

Macro developments

- CPI inflation in India rose to a 16-month high at 4.6% in Oct'19, breaching MPC's target of 4%, led by food inflation (vegetables at 26%). Muted demand drove core inflation to its lowest in the current series at 3.4%. With growth expected to slip to 4.5% in Q2FY20, MPC members are likely to emphasize on growth and thus cut rates by another 25bps in Dec'19.
- US CPI rose by 0.4% in Oct'19 on MoM basis (flat in Sep'19), driven by rise in inflation of healthcare and food items. On an annualised basis, it rose by 1.8% vs 1.7% in Sep'19. Core CPI rose by 2.3% in Oct'19 vs 2.4% in Sep'19. In a separate print, UK CPI inched down to 1.5% in Oct'19 vs 1.7% in Sep'19, due to lower energy prices. CPI print in Germany was stable at 1.1% in Oct'19.
- China's industrial production eased to 4.7% in Oct'19 from 5.8% in Sep'19. Manufacturing output slowed to 4.6% vs 5.6% in Sep'19, while mining growth was down to 3.9% vs 8.1% in Sep'19. In addition, FAI growth too slowed to 23-year low of 5.2% between Jan-Oct'19 from 5.4% in Jan-Sep'19, driven by lower infrastructure investment (4.2% vs 4.5%). Retail sales also cooled off to 7.2% in Oct'19 vs est.: 7.9% and 7.8% in Sep'19.

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Markets

- **Bonds:** Global yields closed lower amidst uncertainties over US-China trade deal. Despite Powell's testimony signalling a hawkish approach, US 10Y yield fell by 5bps (1.89%). Oil prices rose by 0.5% (US\$ 62/bbl) on the back of comments from OPEC official about lower shale oil production in CY20. India's 10Y yield fell by 4bps (6.73%) as rate cut hopes intensified. It is also trading lower at 6.71% today.
- **Currency:** Fresh concerns over US-China trade deal pushed safe-haven JPY (0.2%) and DXY (0.1%) upwards. EUR and GBP closed flat. INR depreciated sharply by (-) 0.9% to close at a 3-month low amidst growth concerns. It opened further lower today in line with other Asian currencies.
- **Equity:** Barring Dow, global indices ended lower amidst concerns over US-China trade deal. Nikkei dropped (-0.9%) the most. Sensex too ended in red (-0.6%), dragged down by metal and real estate stocks. It is trading lower today while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.89	(5)	6	16	31	(124)
UK	0.76	(5)	4	5	31	(75)
Japan	(0.04)	(2)	4	14	18	(15)
Germany	(0.30)	(5)	3	14	35	(70)
India^	6.73	(4)	4	0	10	(100)
China	3.23	(2)	(3)	7	22	(20)
2Y yields (Δ bps)						
US	1.64	(3)	3	4	6	(123)
UK	0.56	(1)	2	1	9	(23)
Japan	(0.19)	(3)	0	11	8	(5)
Germany	(0.62)	0	1	10	25	(5)
India	5.54	(2)	3	(14)	(30)	(181)
China#	2.69	3	4	12	17	10
Currencies (Δ %)						
EUR	1.1007	0	(0.5)	(0.3)	(1.2)	(2.7)
GBP	1.2851	0	0	1.4	6.6	(1.1)
JPY	108.82	0.2	0.1	(0.5)	(2.7)	4.2
AUD	0.6838	0	(0.7)	0.6	1.3	(5.4)
INR	72.09	(0.9)	(1.5)	(1.5)	(1.1)	0.3
CNY	7.0234	(0.2)	(0.4)	0.9	0	(1.0)
Equity & Other indices (Δ %)						
Dow	27,784	0.3	1.1	3.6	9.0	10.8
FTSE	7,351	(0.2)	(0.6)	1.4	2.8	4.5
DAX	13,230	(0.4)	0.4	5.7	15.1	15.9
NIKKEI	23,320	(0.9)	0.1	7.0	12.9	6.7
Shanghai Comp	2,905	(0.3)	(2.5)	(2.3)	3.4	10.4
SENSEX	40,116	(0.6)	(0.9)	5.2	7.5	14.2
Brent (US\$/bbl)	62.37	0.5	1.0	3.1	4.9	(5.7)
Gold (US\$/oz)	1,464	0.5	(1.8)	(1.7)	(3.5)	20.9
CRB Index	391.9	0.3	0.8	0.2	(1.4)	(5.4)
Rogers Agri Index	729.2	(0.3)	0	0.5	5.5	(5.6)
LIBOR (3M)*	1.91	0	1	(9)	(26)	(72)
INR 5Y Swap*	6.45	(1)	(10)	5	8	(113)
India FII data (US\$ mn)						
	11 Nov	8 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	48.1	(23.8)	48.1	676.4	5,363.2	4,818.6
FII-Equity	748.6	748.6	221.1	1,596.7	11,819.4	4,974.2

Source: Bloomberg, Bank of Baroda | ^7.26% GS 2029 | *Indicates change in bps | #1Y yield

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