

MACRO DAILY

15 November 2019

Macro developments

- WPI inflation eased to 0.2% in Oct'19 from 0.3% in Sep'19, led by fuel and power index (-8.3% vs -7.1%). Manufactured product inflation too dropped (-0.8% vs -0.4%). However, food inflation edged up to 7.6% in Oct'19 (6% in Sep'19) led by 142% increase in tomato prices. Subdued WPI inflation is symptomatic of current economic slowdown. As reviving growth is a bigger challenge, we believe RBI will cut rates by 25bps in Dec'19.
- US PPI rose at its fastest pace in 6-months by 0.4% on MoM basis vs (-) 0.3% in Sep'19. This was driven by sharp uptick in energy prices. On an annualized basis, PPI rose by 1.1% vs 1.4% in Sep'19. In a separate print, US jobless claims jumped to a 5-month high of 225,000 as on 9 Nov 2019 vs 211,000, on account of seasonality factor ahead of holiday season.
- Japan, Germany and Eurozone have reported muted Q3CY19 GDP prints indicating weakness in global growth. German economy avoided a technical recession by posting a surprise 0.1% growth in Q3 vs (-) 0.2% in Q2 on a QoQ basis, supported by domestic consumption (govt. and private) and exports. Growth in Euro Area remained steady at 0.2% in Q3. Japan's Q3 annualised QoQ GDP growth slowed to 0.2% from 1.8% in Q2, led by sharp dip in exports, private and government consumption.

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Markets

- Bonds:** Except China, global yields closed lower amidst uncertainties over US- China trade deal. Concerns over global growth still persisted with weak macro prints from Japan, Germany, Euro Area and China. US 10Y yield fell by 7bps, followed by Germany and UK (5bps each). Oil prices fell to US\$ 62/bbl. India's 10Y yield fell by 2bps (6.71%). It is trading flat today.
- Currency:** Barring AUD and CNY, other global currencies ended higher. JPY rose by 0.4% as investors continue to monitor the progress in US- China trade deal. DXY fell by (-) 0.2%. INR rose by 0.2% as oil prices fell. In line with other Asian currencies, INR is trading higher today.
- Equity:** Global indices were mixed. European markets fell after subdued GDP data print. Nikkei also declined by (-) 0.8% as Japan's GDP growth slowed to a 1-year low. Sensex rose by 0.4% supported by consumer durables and banking 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	1.82	(7)	(10)	9	29	(129)
UK	0.71	(5)	(8)	7	30	(66)
Japan	(0.07)	(3)	0	11	17	(18)
Germany	(0.35)	(5)	(12)	11	36	(71)
India [^]	6.71	(2)	(1)	3	17	(105)
China	3.25	2	(2)	9	24	(16)
2Y yields (Δ bps)						
US	1.59	(4)	(8)	0	10	(126)
UK	0.53	(3)	(1)	3	8	(17)
Japan	(0.19)	(1)	(2)	10	8	(6)
Germany	(0.64)	(2)	(3)	6	27	(5)
India	5.50	(4)	(6)	(14)	(37)	(190)
China [#]	2.67	(2)	2	10	15	12
Currencies (Δ %)						
EUR	1.1022	0.1	(0.3)	0	(0.8)	(2.7)
GBP	1.2882	0.2	0.5	2.2	6.6	0.8
JPY	108.42	0.4	0.8	0	(2.2)	4.6
AUD	0.6786	(0.8)	(1.6)	0.2	0.2	(6.7)
INR	71.97	0.2	(1.4)	(1.0)	(1.1)	0
CNY	7.0208	0	(0.6)	0.7	0.2	(1.2)
Equity & Other indices (Δ %)						
Dow	27,782	0	0.4	3.7	8.6	9.9
FTSE	7,293	(0.8)	(1.5)	1.1	3.2	3.6
DAX	13,180	(0.4)	(0.8)	5.6	15.5	16.1
NIKKEI	23,142	(0.8)	(0.8)	4.2	13.4	6.1
Shanghai Comp	2,910	0.2	(2.3)	(3.3)	3.3	9.1
SENSEX	40,286	0.4	(0.9)	5.4	7.9	14.3
Brent (US\$/bbl)	62.28	(0.1)	0	4.9	7.0	(6.5)
Gold (US\$/oz)	1,471	0.5	0.2	(1.5)	(3.4)	21.3
CRB Index	390.5	(0.4)	0.4	(0.5)	(1.9)	(6.1)
Rogers Agri Index	730.2	0.1	0.2	0.5	5.8	(5.7)
LIBOR (3M)*	1.91	0	1	(9)	(23)	(73)
INR 5Y Swap*	6.41	(4)	(13)	2	5	(117)
India FII data (US\$ mn)						
	11 Nov	8 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(136.3)	48.1	(88.3)	540.1	5,226.9	4,682.2
FII-Equity	211.8	221.1	433.0	1,808.5	12,031.3	5,186.1

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

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