

MACRO DAILY

16 December 2019

Macro developments

- India's trade deficit in Nov'19 rose to US\$ 12.1bn vs US\$ 11bn in Oct'19 led by higher gold (6.6% in Nov'19 vs 4.7% in Oct'19) and oil (-18.2% vs -31.7%) imports. Non-oil-non-gold imports contracted at the sharpest pace in 43-months (-12%) due to weak domestic demand. Contraction in India's export growth eased to (-) 0.3% in Nov'19 from (-) 1% in Oct'19 led by increase in pharma products, engineering goods and chemicals.
- RBI reported that currency in circulation (CIC) declined by Rs 182.8bn and stood at Rs 22.7tn for the week ending 6 Dec 2019. Reserve money rose by 13.3% on a YoY basis, compared with 17.3% a year ago. On a FYTD basis, reserve money increased by 4.2% as against 5.3% last year.
- China's industrial output rose by 6.2% in Nov'19 vs 4.7% in Oct'19. The 5 month high was driven by electricity, thermal power (6.7%) and high tech manufacturing (8.9%). Overall manufacturing production rose by 6.3% (4.6% in Oct'19). Retail sales growth also surprised positively as it rose by 8% from 7.2% in Oct'19. FAI growth on the other hand remained flat at 5.2% in Jan-Nov'19 unchanged from Jan-Oct'19. Private sector investment rose only marginally to 4.5% from 4.4% in the same period.

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Markets

- Bonds:** Except India and China, global yields closed lower. US 10Y yield fell by 7bps owing to weaker than expected increase in US retail sales (0.2% in Nov'19 vs. est. 0.5%) dampened sentiments. Oil prices rose by 1.6% (US\$ 65.2/bbl) as US and China agreed on a phase-1 trade deal. India's 10Y yield rose by 1bps (6.79%). It is trading lower at 6.77% today.
- Currency:** Global currencies closed mixed. Safe-haven DXY (-0.2%) and JPY (-0.1%) fell after US and China agreed on a trade deal. GBP rose by 1.3% post PM Johnson's win in the UK elections. INR closed flat. It is trading higher today, while other Asian currencies are trading mixed.
- Equity:** Led by optimism over US-China trade deal (phase-1), global indices ended higher. Nikkei surged the most followed by Shanghai Comp gaining by 1.8%. The upturn in Sensex (1.1%) was driven by DII inflow of Rs 3.4bn, with metal and realty stocks advancing the most. It is trading even higher today; while Asian stocks remain muted.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.82	(7)	(1)	0	(7)	(107)
UK	0.79	(3)	2	8	3	(45)
Japan	(0.02)	(1)	(1)	5	14	(5)
Germany	(0.29)	(2)	0	6	16	(54)
India	6.79	1	12	27	15	(66)
China	3.20	1	0	(5)	11	(18)
2Y yields (Δ bps)						
US	1.60	(5)	(1)	(6)	(20)	(113)
UK	0.55	(4)	(5)	(2)	(3)	(18)
Japan	(0.13)	0	1	3	11	3
Germany	(0.62)	1	1	1	9	(1)
India	5.78	2	6	25	7	(120)
China	2.60	1	(1)	(8)	2	10
Currencies (Δ %)						
EUR	1.1121	(0.1)	0.6	1.0	0.4	(1.6)
GBP	1.3331	1.3	1.5	3.8	6.6	5.9
JPY	109.38	(0.1)	(0.7)	(0.3)	(1.2)	3.5
AUD	0.6876	(0.5)	0.5	0.5	0	(4.1)
INR	70.81	0	0.5	1.8	0.2	1.5
CNY	6.9763	0.1	0.8	0.5	1.5	(1.0)
Equity & Other indices (Δ %)						
Dow	28,135	0	0.4	1.6	3.4	16.7
FTSE	7,353	1.1	1.6	(0.2)	(0.2)	7.4
DAX	13,283	0.5	0.9	0	6.5	22.2
NIKKEI	24,023	2.6	2.9	2.1	9.3	12.4
Shanghai Comp	2,968	1.8	1.9	1.8	(2.1)	14.4
SENSEX	41,010	1.1	1.4	2.2	9.7	14.0
Brent (US\$/bbl)	65.22	1.6	1.3	5.1	8.3	8.2
Gold (US\$/oz)	1,476	0.4	1.1	1.4	(0.8)	19.2
CRB Index	396.2	0.4	1.5	1.1	3.0	(4.5)
Rogers Agri Index	739.2	0.4	1.5	1.1	5.6	(4.9)
LIBOR (3M)*	1.90	1	1	(1)	(24)	(90)
INR 5Y Swap*	6.59	1	9	13	29	(61)
India FII data (US\$ mn)						
	12 Dec	11 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	86.1	78.4	(385.4)	(146.9)	4,097.9	3,553.3
FII-Equity	(86.9)	54.2	44.7	(93.5)	13,278.9	6,433.7

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

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