

MACRO DAILY

16 January 2020

Macro developments

- India's trade deficit in Dec'19 narrowed to US\$ 11.3bn from US\$ 12.1bn in Nov'19 as imports fell by (-) 8.8% vs (-) 1.8% decline in exports. Sharp fall in exports was driven by organic chemicals, agriculture items and engineering goods. Weak domestic demand led to (-) 12.2% drop in non-oil-non-gold imports. Capital goods import too fell by (-) 16.5% in Dec'19.
- US PPI rose by 0.1% in Dec'19 on a MoM basis after remaining flat (0%) in Nov'19, mainly owing to higher energy prices (1.5% vs 0.6% in Nov'19) and marginal improvement in services PPI (0% vs -0.3%). Core PPI for goods on the other hand eased to 0.1% from 0.2% in Nov'19. In CY19 PPI rose by 1.3% vs 2.6% in CY18. With inflation pressures muted, Fed is likely to keep the rates unchanged this year.
- UK CPI fell to 1.3% in Dec'19 (est. 1.5%) vs 1.5% in Nov'19, its slowest pace since Nov'16. This was led by lower prices of hotels and clothing. Core CPI also fell to 1.4% from 1.7% in Nov'19. The dismal inflation print along with weakness in retail sales, as well as manufacturing and service sector, raised bets of a rate cut by BoE later this month.

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Markets

- Bonds:** Global yields closed lower amidst muted growth print in Germany (weakest GDP since CY13). UK 10Y yield fell the most by 7bps as CPI print rose at its slowest pace in past 3 years. Oil prices also fell by (-) 0.8% (US\$ 64/bbl) due to signing of US-China Phase 1 trade deal. Thus, India's 10Y yield declined by 4bps (6.63%). It is trading flat today.
- Currency:** Barring CNY and AUD, other global currencies closed higher as US and China signed the phase-1 trade deal. DXY fell by (-) 0.1%. INR rose by 0.1% as oil prices eased. It opened higher today in line with other Asian currencies.
- Equity:** Barring Dow and FTSE, global indices closed lower despite the signing of the US-China trade deal. Both Nikkei and Shanghai Comp dropped by (-) 0.5% each. Sensex (-0.2%) too ended in red with the ongoing earning season and was dragged down by banking and tech stocks. However, it is trading higher today; while Asian stocks remain subdued.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|---------------|---------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.78 | (3) | (9) | (9) | 4 | (94) |
| UK | 0.65 | (7) | (16) | (17) | (6) | (66) |
| Japan | 0.01 | (1) | 1 | 2 | 17 | 0 |
| Germany | (0.20) | (3) | 1 | 8 | 19 | (42) |
| India | 6.63 | (4) | 7 | (17) | 16 | (65) |
| China | 3.09 | (1) | (5) | (11) | (7) | 1 |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.55 | (2) | (3) | (7) | (3) | (99) |
| UK | 0.47 | (3) | (16) | (13) | (9) | (36) |
| Japan | (0.12) | 0 | 0 | 0 | 14 | 4 |
| Germany | (0.59) | (1) | 2 | 4 | 9 | 1 |
| India | 6.17 | (3) | (4) | 36 | 58 | (85) |
| China | 2.30 | (2) | (4) | (30) | (26) | (12) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1150 | 0.2 | 0.4 | 0.1 | 0.7 | (2.1) |
| GBP | 1.3038 | 0.1 | (0.5) | (2.2) | 1.6 | 1.2 |
| JPY | 109.90 | 0.1 | (0.7) | (0.3) | (1.0) | (0.7) |
| AUD | 0.6902 | 0 | 0.5 | 0.2 | 2.1 | (3.7) |
| INR | 70.82 | 0.1 | 1.2 | 0.3 | 0.9 | 0.6 |
| CNY | 6.8909 | (0.1) | 0.8 | 1.5 | 2.9 | (2.0) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 29,030 | 0.3 | 1.0 | 2.8 | 7.5 | 19.9 |
| FTSE | 7,643 | 0.3 | 0.9 | 1.6 | 6.6 | 11.4 |
| DAX | 13,432 | (0.2) | 0.8 | 0.2 | 6.0 | 22.9 |
| NIKKEI | 23,917 | (0.5) | 3.1 | (0.1) | 6.4 | 17.0 |
| Shanghai Comp | 3,090 | (0.5) | 0.8 | 3.5 | 3.7 | 20.2 |
| SENSEX | 41,873 | (0.2) | 2.6 | 2.3 | 8.5 | 15.3 |
| Brent (US\$/bbl) | 64.00 | (0.8) | (2.2) | (2.1) | 7.7 | 4.4 |
| Gold (US\$/oz) | 1,556 | 0.6 | 0 | 5.4 | 4.4 | 20.3 |
| CRB Index | 410.1 | (0.1) | 2.1 | 2.8 | 4.3 | (0.5) |
| Rogers Agri Index | 762.7 | (0.4) | 1.0 | 1.9 | 4.9 | (0.8) |
| LIBOR (3M)* | 1.84 | 1 | 1 | (6) | (16) | (94) |
| INR 5Y Swap* | 6.75 | (10) | (2) | 17 | 28 | (45) |
| India FII data (US\$ mn) | | | | | | |
| | 14 Jan | 13 Jan | WTD | MTD | CYTD | FYTD |
| FII-Debt | 60.0 | (159.4) | (99.5) | (1,037.9) | (1,037.9) | 1,906.2 |
| FII-Equity | (46.7) | 17.1 | (29.6) | 333.4 | 333.4 | 7,722.7 |

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

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