

## MACRO DAILY

17 December 2019

### Macro developments

- As per news reports, Centre is expected to sell 28% of its 54.03% stake in BEML Ltd in order to inch closer to its Rs 1.05tn FY20BE disinvestment target. Government has raised Rs 174bn through disinvestments as of Oct'19 vs Rs 101bn collected in the same period last year. Recently, Cabinet has also approved sale of equity shares of 5 other PSUs- BPCL, SCI, CCI, THDC and NEEPC.
- WPI inflation rose by 0.6% in Nov'19 from 0.2% in Oct'19 led by food inflation (9% in Nov'19 vs 7.6% in Oct'19). Fuel and power index declined to (-) 7.3% in Nov'19. Manufactured product inflation on the other hand remained unchanged (0.8%) while core fell further. High WPI and CPI food inflation implies RBI is unlikely to move policy rates before Q1FY21.
- Manufacturing activity globally is expected to have slumped again in Dec'19. Eurozone's flash manufacturing PMI is at its 2-month low of 45.9 vs 46.9 in Nov'19 led by Germany (43.4 vs 44.1). In Japan as well, flash PMI is lower at 48.8 vs 48.9 in Nov'19 driven by fall in new orders. Input price pressures are also seen building up. Employment remains muted globally.

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### Markets

- Bonds:** Except China, global yields closed higher over reports of signing of US-China phase-1 trade deal in Jan'20. US 10Y yield rose by 5bps (1.87%). Oil prices also rose by 0.2% (US\$ 65/bbl) as demand concerns alleviated. India's 10Y yield rose a tad by 1bps (6.8%). It is trading lower at 6.78% today.
- Currency:** Global currencies closed mixed. DXY and JPY fell by (-) 0.2% due to improved risk-sentiment as US and China agreed on a phase-1 trade deal. INR depreciated by (-) 0.3% on rising oil prices. In line with other Asian currencies, it is trading higher today.
- Equity:** Barring Nikkei and Sensex, global indices ended higher driven by optimism over US-China trade deal. European indices gained the most after UK election gave a mandate for swift Brexit. Sensex on the other hand (-0.2%) ended in red, dragged down by metal and consumer durables stocks. However, 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
<b>10Y yields (Δ bps)</b>						
US	1.87	5	5	4	2	(99)
UK	0.82	3	6	9	13	(44)
Japan	(0.01)	1	(1)	6	14	(5)
Germany	(0.28)	1	3	6	20	(53)
India	6.80	1	14	28	8	(66)
China	3.20	0	0	(4)	11	(18)
<b>2Y yields (Δ bps)</b>						
US	1.63	2	1	2	(13)	(107)
UK	0.60	5	2	4	7	(14)
Japan	(0.12)	0	0	7	12	3
Germany	(0.63)	(1)	1	1	10	(2)
India	5.81	3	8	34	5	(117)
China	2.60	(1)	(1)	(9)	1	10
<b>Currencies (Δ %)</b>						
EUR	1.1144	0.2	0.7	0.8	1.3	(1.8)
GBP	1.3332	0	1.4	3.4	7.2	5.6
JPY	109.55	(0.2)	(0.9)	(0.7)	(1.3)	2.9
AUD	0.6885	0.1	0.9	1.0	0.3	(4.1)
INR	71.00	(0.3)	0.1	1.1	0.8	0.8
CNY	6.9935	(0.2)	0.6	0.2	1.0	(1.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,236	0.4	1.2	0.8	4.3	19.7
FTSE	7,519	2.3	3.9	3.0	2.7	11.0
DAX	13,408	0.9	2.3	1.3	8.3	24.5
NIKKEI	23,952	(0.3)	2.2	2.8	8.9	11.4
Shanghai Comp	2,984	0.6	2.4	3.2	(1.5)	14.9
SENSEX	40,939	(0.2)	1.1	1.4	10.3	12.9
Brent (US\$/bbl)	65.34	0.2	1.7	3.2	(5.3)	9.6
Gold (US\$/oz)	1,476	0	1.0	0.5	(1.5)	18.5
CRB Index	398.0	0.4	1.8	1.9	3.0	(4.0)
Rogers Agri Index	748.7	1.3	2.9	3.0	6.0	(3.6)
LIBOR (3M)*	1.90	1	1	0	(25)	(90)
INR 5Y Swap*	6.58	(1)	6	12	17	(62)
<b>India FII data (US\$ mn)</b>						
	<b>13 Dec</b>	<b>12 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(213.8)	86.1	(599.2)	(360.7)	3,884.1	3,339.4
FII-Equity	16.6	(86.9)	61.3	(76.9)	13,295.5	6,450.3

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

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