

MACRO DAILY

17 February 2020

Macro developments

- India's export growth in Jan'20 fell to 4-month low of (-) 1.7% vs (-) 1.6% in Dec'19, led by sharp fall in exports of gems & jewellery, agriculture items and engineering goods. However, imports contracted at a slower pace in Jan'20 by (-) 0.8% vs (-) 8.8% in Dec'19 as oil imports rose (15.3%). Thus trade deficit rose to US\$ 15.2bn from US\$ 11.3bn in Dec'19.
- Germany's GDP growth remained flat (0%) in Q4CY19 vs 0.2% increase in Q3 on a QoQ basis. This brings the CY19 growth down to 0.6% from 1.5% in CY18. Weak Q4 reading was led by sharp decline in household and government consumption, equipment investment and exports. Separately, Euro Area Q4 GDP remained unchanged from Q3 at 0.1%, owing to stagnation (Germany) and contraction (France, Italy) in bigger economies.
- Retail sales in the US rose in line with estimates by 0.3% in Jan'20 vs 0.2% in Dec'19, on MoM basis. However, sales stripping out volatile items were flat, reflecting weakening demand conditions. In a separate print, industrial production fell by (-) 0.3% (est.: -0.2%), led by sharp decline in manufacturing, consumer goods, business equipment and utilities.

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Markets

- Bonds:** Except Japan and China, global yields closed lower amidst muted global macro prints. US 10Y yield fell by 3bps (1.58%). Oil prices rose by 1.7% (US\$ 57/bbl) over anticipation of production cut by OPEC+ members. India's 10Y yield fell by 5bps (6.37%), supported by RBI's liquidity infusion measures. It is trading at 6.36% today.
- Currency:** Barring GBP and JPY (flat), other global currencies closed lower amidst weaker than expected US industrial production and Germany (Q4CY19 GDP). While DXY rose by 0.1%, EUR depreciated by (-) 0.1%. INR is trading lower today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp and Dax (flat), global indices closed lower as coronavirus fears continued to weigh in. Amongst other indices, both Nikkei and FTSE dropped by (-) 0.6% each. Sensex (-0.5%) too slipped in red after Supreme Court order on telecoms to pay their AGR dues. 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	1.58	(3)	0	(23)	(25)	(108)
UK	0.63	(2)	6	(9)	(10)	(53)
Japan	(0.03)	1	1	(4)	4	(1)
Germany	(0.40)	(2)	(2)	(23)	(7)	(50)
India	6.37	(5)	(7)	(30)	(15)	(99)
China	2.87	4	6	(24)	(38)	(22)
2Y yields (Δ bps)						
US	1.43	(2)	3	(14)	(18)	(109)
UK	0.54	(2)	5	5	(1)	(19)
Japan	(0.13)	2	1	(1)	6	4
Germany	(0.66)	(1)	(1)	(7)	(2)	(10)
India	5.72	(3)	(5)	(49)	25	(103)
China	2.23	(7)	(5)	(42)	(36)	(19)
Currencies (Δ %)						
EUR	1.0831	(0.1)	(1.1)	(2.7)	(2.0)	(4.1)
GBP	1.3047	0	1.2	0.2	1.2	1.2
JPY	109.78	0	0	0.2	(0.9)	0.6
AUD	0.6714	(0.1)	0.6	(2.7)	(1.5)	(6.0)
INR	71.37	(0.1)	0.1	(0.7)	0.6	(0.2)
CNY	6.9872	(0.1)	0.2	(1.5)	0.3	(3.2)
Equity & Other indices (Δ %)						
Dow	29,398	(0.1)	1.0	1.6	5.0	13.6
FTSE	7,409	(0.6)	(0.8)	(2.8)	1.5	2.4
DAX	13,744	0	1.7	2.1	3.8	21.6
NIKKEI	23,688	(0.6)	(0.6)	(1.4)	1.6	13.3
Shanghai Comp	2,917	0.4	1.4	(6.1)	0.9	8.7
SENSEX	41,258	(0.5)	0.3	(1.7)	2.2	15.2
Brent (US\$/bbl)	57.32	1.7	5.2	(11.1)	(9.4)	(13.5)
Gold (US\$/oz)	1,584	0.5	0.9	2.4	7.9	19.8
CRB Index	401.1	(0.2)	(0.2)	(2.3)	2.7	(3.0)
Rogers Agri Index	736.7	(0.2)	(0.3)	(3.8)	1.3	(3.5)
LIBOR (3M)*	1.69	(1)	(4)	(15)	(21)	(99)
INR 5Y Swap*	6.38	(4)	(7)	(47)	(8)	(67)
India FII data (US\$ mn)						
	13 Feb	12 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	453.7	(104.3)	663.3	1,789.9	221.0	3,165.1
FII-Equity	92.8	(93.1)	232.1	2,076.3	3,448.9	10,838.1

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

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