

## MACRO DAILY

01 January 2020

### Macro developments

- India's core sector output contracted for the 4th consecutive month to (-) 1.5% in Nov'19 from (-) 5.8% in Oct'19. However, the pace of contraction has decelerated with electricity and coal production dropping only by (-) 5.7% (vs -12.2% in Oct'19) and (-) 2.5% (vs -17.6% in Oct'19) respectively. Output of cement (4.1% vs -7.7% in Oct'19) and petroleum refinery (3.1% vs 0.4% in Oct'19) also improved in Nov'19.
- India's fiscal deficit has reached 3.7% of GDP in Nov'19 (12M trailing basis) vs BE of 3.4%. On FYTD basis, higher expenditure growth (12.8% vs 9.1% last year) and subdued gross tax revenues (1.6% vs 10.5%) explain the breach. Capex (11.7% vs 4%) has been the key driver of higher spending. To boost spending further, government has also announced Rs 105tn plan for infra spending spread over next 5 years. Centre and States would have 39% share (each) and 22% will be contributed by private sector
- US consumer confidence print fell more than expected to 126.5 (est.: 128.2) vs 126.8 in Nov'19. This was on account of softening short-term outlook for income and business conditions. Thus expectation index fell to 97.4 vs 100.3 in Nov'19. On the backdrop of muted global growth outlook and especially subdued consumer spending, growth is likely to remain modest in CY20.

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### Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 4bps (1.92%) over optimism on Phase 1 US-China trade deal to be signed on 15 Jan 2020. Oil prices fell by (-) 3.6% (US\$ 66/bbl) on increased US supplies. India's 10Y yield inched a tad by 1bps (6.56%) and is trading lower at 6.54% today.
- Currency:** Except INR, other major global currencies closed higher as dollar weakened. DXY (-0.4%) fell for the 4th straight session as US consumer confidence fell in Nov'19. INR depreciated by (-) 0.1% despite a fall in oil prices. It is trading higher today in line with other Asian currencies.
- Equity:** Apart from Dow and Shanghai Comp, global indices closed the year on lower note, while some of the markets were closed. Both Dow and Shanghai Comp gained by 0.3% each. Sensex ended in red and was dragged down by auto and tech stocks and is trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.92	4	2	14	28	(77)
UK	0.82	(5)	5	13	35	(46)
Japan	(0.01)	0	(2)	6	14	(1)
Germany	(0.19)	7	6	18	39	(43)
India	6.56	1	(2)	9	(11)	(86)
China	3.14	0	(2)	(3)	0	(17)
<b>2Y yields (Δ bps)</b>						
US	1.57	0	(5)	(4)	2	(92)
UK	0.55	(5)	(2)	0	20	(21)
Japan	(0.13)	0	(4)	4	15	1
Germany	(0.60)	3	2	3	17	1
India	5.77	(5)	(4)	43	7	(106)
China	2.28	(5)	(30)	(35)	(27)	(41)
<b>Currencies (Δ %)</b>						
EUR	1.1213	0.1	1.1	1.8	2.6	(2.2)
GBP	1.3257	1.1	2.4	2.6	7.8	4.1
JPY	108.61	0.2	0.7	0.8	(0.8)	1.0
AUD	0.7021	0.4	1.4	3.8	4.7	(0.5)
INR	71.38	(0.1)	(0.2)	0.5	(0.4)	(2.8)
CNY	6.9632	0.3	0.6	1.0	2.6	(1.2)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,538	0.3	0.1	1.7	7.4	22.3
FTSE	7,542	(0.6)	(1.2)	2.7	2.5	12.1
DAX	13,249	(0.7)	(0.4)	0.1	8.0	25.5
NIKKEI	23,657	(0.8)	(0.7)	1.6	8.1	18.2
Shanghai Comp	3,050	0.3	2.3	6.2	5.0	22.3
SENSEX	41,254	(0.7)	(0.5)	1.1	7.7	13.8
Brent (US\$/bbl)	66.00	(3.6)	(1.8)	5.7	12.1	26.4
Gold (US\$/oz)	1,517	0.1	1.2	3.6	2.6	18.3
CRB Index	401.6	(0.2)	0.7	3.9	3.6	(1.9)
Rogers Agri Index	758.7	(0.1)	1.4	4.1	6.3	0.1
LIBOR (3M)*	1.91	(4)	(4)	0	(18)	(90)
INR 5Y Swap*	6.72	(2)	9	38	35	(50)
<b>India FII data (US\$ mn)</b>						
	<b>30 Dec</b>	<b>27 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(156.9)	27.0	316.6	(679.8)	3,565.0	3,020.4
FII-Equity	39.1	106.4	477.4	1,138.7	14,511.1	7,665.9

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

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