

MACRO DAILY

20 February 2020

Macro developments

- According to 2nd advance estimates, India is expected to clock a record foodgrain production which is 2.4% (291.95mn tonne in AY20) higher than last year. This is led by jump in production of both rice and pulses registering above its 5-year average production. Notably, production of both cotton and jute & mesta rebounded by 24.4% and 39.3% respectively. Overall, spike in production is also attributable to south-west monsoon which was 10% higher than LPA.
- US Fed minutes pointed out that current monetary policy stance is appropriate. Further, FOMC signalled to hold rate steady, as growth is likely to continue at a moderate pace. Minutes also discussed use of three inflation range; that would indicate whether Fed would be willing to tolerate a rise above or fall below the target (2%) for a period of time.
- Japan's exports contracted for the 14th straight month by (-) 2.6% in Jan'20 vs (-) 6.3% in Dec'19. Region wise, exports to US (-7.7%) and Asia (-3.2%) fell the most. Imports too declined for the 9th consecutive month by (-) 3.6% vs (-) 4.9%. Separate data showed that core machinery orders fell by (-) 12.5% in Dec'19 on a MoM basis vs 18% in Nov'19.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield rose by 1bps (1.57%), supported by better than estimated macro print (housing starts), and hopes China taking steps to boost economy. Oil prices rose by 2.4% (US\$ 59/bbl) over continued supply disruption in Libya. India's 10Y yield is trading flat at 6.39% today.
- Currency:** Except CNY (flat) and EUR (+0.1%), other global currencies closed lower. JPY depreciated sharply by (-) 1.4% on improved risk sentiment as fears of COVID-19 outbreak eased. DXY rose by 0.3% to a near 3-year high. INR depreciated by (-) 0.4% amidst rising oil prices. It is trading further lower today in line with other Asian currencies.
- Equity:** Except Shanghai Comp, global indices closed higher with FTSE and Sensex gaining the most (1%). China's monetary stimulus (cut in MLF and LPR) and attempt to restart production, boosted investor sentiment. Sensex is trading lower today, while Asian markets are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.57	1	(7)	(26)	(18)	(108)
UK	0.60	(1)	(1)	(3)	(13)	(58)
Japan	(0.05)	1	(1)	(5)	6	(1)
Germany	(0.42)	(1)	(4)	(20)	(7)	(52)
India	6.39	0	(8)	(24)	(8)	(98)
China	2.89	0	5	(20)	(29)	(23)
2Y yields (Δ bps)						
US	1.42	1	(2)	(14)	(15)	(108)
UK	0.52	(1)	(1)	11	(5)	(22)
Japan	(0.15)	0	(1)	(2)	5	2
Germany	(0.64)	1	0	(5)	0	(7)
India	5.69	0	(10)	(47)	24	(105)
China	2.23	(7)	(5)	(42)	(36)	(19)
Currencies (Δ %)						
EUR	1.0805	0.1	(0.6)	(2.6)	(2.4)	(4.7)
GBP	1.2920	(0.6)	(0.3)	(0.7)	0	(1.0)
JPY	111.37	(1.4)	(1.2)	(1.1)	(2.5)	(0.5)
AUD	0.6675	(0.2)	(0.9)	(3.0)	(1.9)	(6.8)
INR	71.56	(0.4)	(0.4)	(0.7)	0.4	(0.3)
CNY	6.9983	0	(0.4)	(2.0)	0.5	(4.1)
Equity & Other indices (Δ %)						
Dow#	29,348	0.4	(0.7)	0	5.5	13.1
FTSE	7,457	1.0	(1.0)	(2.8)	2.7	3.2
DAX	13,789	0.8	0.3	1.9	4.8	20.9
NIKKEI	23,401	0.9	(1.9)	(2.7)	1.1	9.2
Shanghai Comp	2,975	(0.3)	1.7	(3.3)	2.2	7.8
SENSEX	41,323	1.0	(0.6)	(1.5)	1.7	15.6
Brent (US\$/bbl)	59.12	2.4	6.0	(8.8)	(5.3)	(11.9)
Gold (US\$/oz)	1,612	0.6	2.9	3.5	9.5	20.4
CRB Index	403.1	0	0.2	(1.8)	3.9	(2.6)
Rogers Agri Index	745.2	0.2	0.7	(2.5)	2.9	(1.7)
LIBOR (3M)*	1.69	0	(1)	(12)	(20)	(97)
INR 5Y Swap*	6.42	3	(11)	(36)	(5)	(62)
India FII data (US\$ mn)						
	17 Feb	14 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(16.6)	185.1	(16.6)	1,958.4	389.5	3,333.6
FII-Equity	24.3	(160.0)	24.3	1,940.5	3,313.2	10,702.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, #Except equity, Indian markets were closed on 19.02.2020

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