

## MACRO DAILY

24 February 2020

### Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 92bn and stood at Rs 23.5tn for the week ending 14 Feb 2020. Reserve money rose by 12% on a YoY basis, compared with 16.6% a year ago. On a FYTD basis, reserve money increased by 7.5% as against 9.9% last year.
- US flash manufacturing PMI has hit its 6-month low of 50.8 in Feb'20 vs 51.9 in Jan'20, on account of falling new orders. Eurozone flash manufacturing was also below its 50-mark at 48.4 vs 48 in Jan'20. Japan's flash manufacturing print also continued to be dismal at 47.6 vs 48.8 in Jan'20, largely on account of sales tax hike and typhoon. Across region, employment rose at a weaker pace and input prices also softened.
- Existing home sales in the US fell on a MoM basis, by (-) 1.3% in Jan'20 (est.: -1.8%) from +3.6% in Dec'19. The decline was seen the most in the west (-9.4%), while sales in Northeast remained flat. Higher median prices (+6.8% YoY) and diminishing inventory are also key drivers of the trend. However as construction permits jump (+9.2% in Jan'20), prices and inventories are expected to stabilize overtime.

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### Markets

- **Bonds:** Global yields closed mixed amidst concerns over spread of COVID-19. US 10Y yield fell by 4bps (1.47%) on account of muted macro prints. Oil prices fell by 1.4% (US\$ 59/bbl) over rising rig count in the US. India's 10Y yield is trading 4bps lower at 6.38% today, as RBI's minutes hinted at further scope of monetary accommodation.
- **Currency:** Except CNY and INR (lower), global currencies closed higher. DXY fell by (-) 0.6% as macro data disappointed (existing home sales, manufacturing PMI). Further, economic impact of the spread of coronavirus drove demand of safe assets. JPY rose by 0.4%. INR opened lower today, in line with other Asian currencies.
- **Equity:** Barring Shanghai comp (higher), global indices closed lower. Dow (-0.8%) and Dax (-0.6%) fell the most as investors monitor the spread of coronavirus beyond China. Disappointing earnings also weighed on European stocks. Following global cues, Sensex opened lower today, in line with other Asian markets.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.47	(4)	(11)	(26)	(30)	(118)
UK	0.57	0	(6)	(2)	(13)	(59)
Japan	(0.06)	(2)	(3)	(4)	2	(2)
Germany	(0.43)	1	(3)	(12)	(7)	(53)
India	6.42	4	5	(18)	(8)	(100)
China	2.86	(2)	(1)	(14)	(31)	(29)
<b>2Y yields (Δ bps)</b>						
US	1.53	14	10	2	(10)	(96)
UK	0.43	(9)	(12)	0	(10)	(33)
Japan	(0.12)	3	1	0	6	5
Germany	(0.58)	6	7	2	6	(2)
India	6.17	48	46	4	76	(51)
China	2.23	(7)	(5)	(42)	(36)	(19)
<b>Currencies (Δ %)</b>						
EUR	1.0847	0.6	0.1	(1.9)	(1.6)	(4.3)
GBP	1.2964	0.6	(0.6)	(1.2)	1.0	(0.7)
JPY	111.61	0.4	(1.7)	(1.9)	(2.7)	(0.8)
AUD	0.6627	0.2	(1.3)	(3.2)	(2.3)	(7.0)
INR	71.64	(0.1)	(0.4)	(0.5)	0.1	(0.7)
CNY	7.0278	(0.1)	(0.6)	(1.2)	0.1	(4.7)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,992	(0.8)	(1.4)	(0.6)	4.0	11.4
FTSE	7,404	(0.4)	(0.1)	(1.4)	1.1	3.1
DAX	13,579	(0.6)	(1.2)	1.4	3.2	18.5
NIKKEI	23,387	(0.4)	(1.3)	(1.7)	1.2	9.2
Shanghai Comp	3,040	0.3	4.2	2.1	5.4	8.4
SENSEX	41,170	(0.4)	(0.2)	(0.5)	2.0	14.8
Brent (US\$/bbl)	58.50	(1.4)	2.1	(5.7)	(7.7)	(12.8)
Gold (US\$/oz)	1,643	1.5	3.7	5.1	12.4	23.6
CRB Index	402.5	0	0.3	(1.6)	3.9	(3.0)
Rogers Agri Index	740.9	0	0.6	(2.8)	2.2	(3.2)
LIBOR (3M)*	1.68	0	(1)	(11)	(24)	(97)
INR 5Y Swap*	6.39	(4)	1	(36)	(3)	(70)
<b>India FII data (US\$ mn)</b>						
	<b>18 Feb</b>	<b>17 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(454.8)	(16.6)	(471.3)	1,503.6	(65.3)	2,878.9
FII-Equity	181.1	24.3	205.4	2,121.7	3,494.3	10,883.5

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, Indian markets were closed on 21.02.2020

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