

## MACRO DAILY

20 November 2019

### Macro developments

- Government has reaffirmed that it will be able to meet its FD target of 3.3% for FY20, with expenditure on track. In H1FY20, ministries have spent 53.4% of BE with agriculture, chemicals and petroleum taking the lead. However, with revenues falling short of BEs (Direct taxes: 5.2% vs 18.6% BE and indirect taxes: 2.8% vs 17.2% BE), we believe meeting the FD target will be possible via higher disinvestments and non-tax revenues.
- US housing data showed that there has been slight revival with housing starts rising by 3.8% to 1.31mn in Oct'19 vs 1.27mn in Sep'19. This has been on the back of falling mortgage rates (30-year fixed mortgage rate is at 3.75%, far below its peak of 4.94% in Nov'18). Building permit also surged to its 12-year high in Oct'19.
- China's PBOC after lowering the 7D-reverse repo and MLF rate by 5bps, has also reduced its Loan Prime Rate. The LPR which is linked to MLF, now stands at 4.15% vs 4.2% earlier. To lower the borrowing costs for MSEs, this is the 3rd rate cut since the inception of LPR in Aug'19. Central Bank governor also acknowledged that downward pressure on growth exists, thus reaffirming PBOC's commitment to maintain steady credit conditions.

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### Markets

- Bonds:** Except Japan and Germany, global yields closed lower due to escalated tensions over political turmoil in Hong Kong and US-China trade deal. US 10Y yield fell by 3bps (1.78%). Oil prices fell by 2.5% (US\$ 61/bbl) over reports that OPEC might not cut output in Dec'19. Thus, India's 10Y yield fell by 2bps (6.63%). It is trading lower at 6.61% today.
- Currency:** Except GBP (-0.2%) and CNY (flat), other global currencies closed higher as developments over US-China trade deal remain in focus. DXY rose marginally by 0.1% ahead of Fed minutes. INR rose by 0.2% as oil prices fell. Tracking other Asian currencies, INR is trading lower today.
- Equity:** Global indices ended mixed as tensions over US-China trade deal resurfaced. Sensex ended in green (0.5%) after SC judgment was passed in favour of financial creditors. It was pushed up by power, tech stocks and DII inflows of Rs 2.6bn. It is trading higher today; Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.78	(3)	(15)	3	23	(128)
UK	0.73	(2)	(7)	2	28	(65)
Japan	(0.08)	0	(6)	5	15	(18)
Germany	(0.34)	0	(9)	4	35	(69)
India <sup>^</sup>	6.63	(2)	(14)	(7)	4	(116)
China	3.18	(1)	(8)	(1)	14	(22)
<b>2Y yields (Δ bps)</b>						
US	1.60	0	(7)	2	8	(121)
UK	0.56	(1)	0	2	7	(15)
Japan	(0.20)	0	(4)	3	9	(6)
Germany	(0.63)	(1)	(1)	3	27	(4)
India	5.46	(1)	(10)	(12)	(39)	(188)
China <sup>#</sup>	2.69	0	0	13	17	14
<b>Currencies (Δ %)</b>						
EUR	1.1078	0.1	0.6	(0.8)	(0.2)	(2.6)
GBP	1.2926	(0.2)	0.6	(0.4)	6.2	1.1
JPY	108.54	0.1	0.4	(0.1)	(2.2)	3.8
AUD	0.6828	0.2	(0.2)	(0.4)	0.7	(5.4)
INR	71.72	0.2	(0.3)	(0.8)	0	(0.4)
CNY	7.0276	0	(0.3)	0.8	0.5	(1.2)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,934	(0.4)	0.9	4.3	7.6	14.2
FTSE	7,324	0.2	(0.6)	2.4	2.8	5.4
DAX	13,221	0.1	(0.5)	4.7	13.5	19.5
NIKKEI	23,293	(0.5)	(1.0)	3.6	12.6	7.9
Shanghai Comp	2,934	0.9	0.7	(0.1)	1.9	10.9
SENSEX	40,470	0.5	0.3	3.0	8.4	14.1
Brent (US\$/bbl)	60.91	(2.5)	(1.9)	2.5	1.5	(2.6)
Gold (US\$/oz)	1,472	0.1	1.1	(1.2)	(2.3)	20.5
CRB Index	388.8	0	(0.8)	(0.8)	(1.7)	(6.7)
Rogers Agri Index	725.6	0.1	(0.7)	(0.7)	5.8	(5.5)
LIBOR (3M)*	1.90	0	(1)	(5)	(25)	(75)
INR 5Y Swap*	6.51	3	4	4	16	(106)
<b>India FII data (US\$ mn)</b>						
	<b>18 Nov</b>	<b>15 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(125.2)	(79.5)	(125.2)	321.1	5,007.9	4,463.2
FII-Equity	(73.8)	(162.7)	(73.8)	1,512.2	11,735.0	4,889.8

Source: Bloomberg, Bank of Baroda | <sup>^</sup>7.26% GS 2029 | \*Indicates change in bps | #1Y yield

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