

MACRO DAILY

21 January 2020

Macro developments

- IMF has revised India's growth projection downward sharply to 4.8% in FY20 (6.1% earlier). This was due to muted global growth (global GDP growth revised downward to 3.3% in CY20 vs 3.4% earlier) and subdued domestic demand. However, India's growth is expected to bounce back to 5.8% in FY21 on the back of balanced policy mix and lower oil prices.
- BoJ has kept policy rates unchanged at (-) 0.1% for short-term interest rate target and 0% for 10Y yield. The decision was guided by US\$ 122bn fiscal package announced by the government and receding pessimism around global growth outlook for CY20. As a result, growth forecast for FY20 was also revised upward to 0.9% from 0.7% earlier.
- Taiwan's export orders rebounded for the 1st time in 14 months in Dec'19 by 0.9% (est.: 0.1%), owing to increased shipments to China, HK, EU and S. Asia. Product-wise, the demand was led by smartphones and 5G telecom equipment. However on annual basis, orders declined by (-) 5.3% in CY19 vs 3.8% increase in CY18.

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Markets

- Bonds:** Global yields closed mixed awaiting cues from World Economic Forum conference. IMF's outlook of a sluggish global growth also impacted investor sentiments. US 10Y yield closed stable at 1.82%. Oil prices rose by 0.5% (US\$ 65/bbl) due to political disruptions in Libya. Thus, India's 10Y yield rose by 2bps (6.64%). It is trading at 6.63% today.
- Currency:** Global currencies remained broadly stable. DXY hovered around its highest since Dec'19 supported by upbeat US macro data last week. CNY and AUD depreciated marginally by (-) 0.1%. INR opened lower today in line with other Asian currencies.
- Equity:** Barring FTSE and Sensex, global indices closed higher. Shanghai Comp (0.9%) gained the most as PBOC kept LPR unchanged. Sensex on the other hand ended in red (-1%), dragged down by banking and oil & gas stocks. It is trading lower today in line with other Asian stocks after IMF trimmed global growth forecast for CY20.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.82	0	(2)	(10)	2	(96)
UK	0.65	2	(10)	(13)	(10)	(67)
Japan	0.01	1	(1)	0	14	0
Germany	(0.22)	0	(6)	3	13	(47)
India	6.64	2	5	4	10	(67)
China	3.06	(3)	(4)	(14)	(16)	(6)
2Y yields (Δ bps)						
US	1.56	0	(3)	(7)	(6)	(105)
UK	0.43	1	(6)	(12)	(13)	(37)
Japan	(0.12)	1	2	(3)	11	5
Germany	(0.59)	0	0	5	8	(0)
India	6.17	0	0	29	60	(86)
China	2.30	0	2	(29)	(30)	(12)
Currencies (Δ %)						
EUR	1.1095	0	(0.4)	0.1	(0.5)	(2.4)
GBP	1.3010	0	0.2	0.1	0.4	0.9
JPY	110.18	0	(0.2)	(0.7)	(1.4)	(0.5)
AUD	0.6873	(0.1)	(0.4)	(0.4)	0.1	(4.0)
INR	71.11	0	(0.4)	0	(0.2)	0.2
CNY	6.8668	(0.1)	0.4	2.0	3.0	(1.0)
Equity & Other indices (Δ %)						
Dow	29,348	0.2	1.5	3.1	9.4	20.3
FTSE	7,651	(0.3)	0.4	0.9	6.8	9.8
DAX	13,549	0.2	0.7	1.7	6.3	21.7
NIKKEI	24,084	0.2	0.2	1.1	6.8	16.2
Shanghai Comp	3,096	0.7	(0.6)	3.0	5.3	18.6
SENSEX	41,529	(1.0)	(0.8)	(0.4)	6.6	13.5
Brent (US\$/bbl)	65.20	0.5	1.6	(1.4)	10.6	3.9
Gold (US\$/oz)	1,561	0.2	0.8	5.6	5.1	21.9
CRB Index	410.6	0	0.9	3.1	4.7	0.1
Rogers Agri Index	764.1	1.2	0.3	2.3	5.1	(1.2)
LIBOR (3M)*	1.82	(1)	(1)	(12)	(11)	(95)
INR 5Y Swap*	6.77	(2)	(3)	14	30	(46)
India FII data (US\$ mn)						
	17 Jan	16 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(438.5)	30.1	(632.8)	(1,571.2)	(1,571.2)	1,372.9
FII-Equity	(200.0)	1,372.5	1,151.8	1,514.9	1,514.9	8,904.1

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Dow was closed on 20.01.2020

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