

## MACRO DAILY

21 November 2019

### Macro developments

- In a relief to the telecom sector, Cabinet has allowed a 2-year moratorium on spectrum related dues. Currently, the sector owes the government Rs 926bn as license fee and Rs 551bn as SUC. In a separate decision, Cabinet approved strategic disinvestment of 5 PSUs-BPCL, SCL, Concor, Tehri Hydro and Neepeco. As per news reports, this might bring around Rs 784bn to the exchequer, based on current market prices.
- RBI data showed that credit demand edged down to 8.1% for the fortnight ending 8 Nov 2019 vs 8.9% in the previous fortnight. Even deposit growth was lower at 9.9% vs 10.3% in the previous fortnight, led by moderation in both demand and time deposits. CD ratio was at 75.8%.
- Fed minutes offered little guidance towards future course of interest rates. This came after 8-2 members voted for a 25bps reduction, 3<sup>rd</sup> rate cut in CYTD19. Members expect the reduction is likely to support domestic growth, strengthen labour market and is in line with its inflation objective. In addition, in the wake of disturbance in the short-term money markets, there is a likelihood of setting up a standing repo facility too.

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### Markets

- Bonds:** Except UK and China, global yields closed lower on reports of a delay in US-China trade deal. US 10Y yield fell the most by 4bps (1.74%). Oil prices rose by 2.4% (US\$ 62/bbl) as Russia reiterated its commitment to cooperate with OPEC. Even so, India's 10Y yield fell by 2bps (6.61%) as investors anticipate RBI to cut rates in Dec'19. It is trading flat today.
- Currency:** Barring GBP and EUR which closed flat, other global currencies closed lower on the back of delay in finalising US-China trade deal. DXY rose by 0.1% on safe-haven demand. INR depreciated by (-) 0.1% as oil prices rose. It opened flat today while Asian currencies are trading lower.
- Equity:** Barring Sensex, global indices ended lower as the likelihood of signing the phase-1 deal (US-China) faded. Both FTSE and Shanghai Comp fell by (-) 0.8% each, followed by Nikkei (-0.6%). Sensex on the other hand ended in green supported by DII inflow of Rs 1.8bn. However, It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.74	(4)	(14)	(1)	16	(132)
UK	0.73	0	(3)	2	25	(67)
Japan	(0.11)	(3)	(6)	3	13	(20)
Germany	(0.35)	(1)	(5)	4	32	(72)
India <sup>^</sup>	6.61	(2)	(12)	(9)	4	(118)
China	3.18	0	(5)	(1)	12	(21)
<b>2Y yields (Δ bps)</b>						
US	1.58	(2)	(6)	0	0	(124)
UK	0.57	1	2	3	6	(17)
Japan	(0.21)	(1)	(2)	3	9	(7)
Germany	(0.64)	(1)	(2)	2	25	(6)
India	5.45	(1)	(9)	(13)	(39)	(189)
China <sup>#</sup>	2.65	0	(5)	9	13	12
<b>Currencies (Δ %)</b>						
EUR	1.1073	0	0.6	(0.8)	(0.1)	(2.7)
GBP	1.2924	0	0.6	(0.5)	6.5	1.1
JPY	108.61	(0.1)	0.2	(0.1)	(1.9)	3.9
AUD	0.6803	(0.4)	(0.5)	(0.8)	0.3	(6.3)
INR	71.82	(0.1)	0.4	(0.9)	(0.4)	(0.5)
CNY	7.0354	(0.1)	(0.2)	0.7	0.4	(1.6)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,821	(0.4)	0.1	3.9	6.2	13.7
FTSE	7,262	(0.8)	(1.2)	1.6	0.8	3.0
DAX	13,158	(0.5)	(0.5)	4.2	11.5	17.0
NIKKEI	23,149	(0.6)	(0.7)	2.9	12.3	7.6
Shanghai Comp	2,911	(0.8)	0.2	(0.9)	1.1	9.8
SENSEX	40,652	0.4	1.3	3.4	9.7	15.5
Brent (US\$/bbl)	62.40	2.4	0.0	5.0	3.5	(1.7)
Gold (US\$/oz)	1,472	(0.1)	0.5	(1.2)	(2.1)	20.0
CRB Index	388.8	0	(0.8)	(0.8)	(1.8)	(6.6)
Rogers Agri Index	724.5	(0.2)	(0.6)	(0.9)	5.3	(6.0)
LIBOR (3M)*	1.89	0	(1)	(6)	(25)	(78)
INR 5Y Swap*	6.48	(3)	3	0	19	(110)
<b>India FII data (US\$ mn)</b>						
	<b>19 Nov</b>	<b>18 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(51.7)	(125.2)	(176.9)	269.4	4,956.2	4,411.6
FII-Equity	(87.2)	(73.8)	(161.0)	1,425.0	11,647.8	4,802.6

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

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