

## MACRO DAILY

23 December 2019

### Macro developments

- India's forex reserves rose to a fresh lifetime high of US\$ 454.5bn in the week ended 13 Dec 2019. On a weekly basis, forex reserves rose by US\$ 1.1bn vs an increase of US\$ 2.3bn last week. In FYTD20, forex reserves have risen by US\$ 42.6bn vs a decline of (-) US\$ 31.2bn last year.
- US GDP rose by 2.1% in Q3CY19-unrevised from its earlier estimate and 2% in Q2CY19. The moderate pace of expansion was driven by upturn in exports (1% in Q3 vs -5.7% in Q2) and residential fixed investment (4.6% in Q3 vs -3% in Q2) that offset deceleration in PCE (3.2% in Q3 vs 4.6% in Q2) and federal spending (3.3% in Q3 vs 8.3% in Q2).
- Germany's Gfk consumer sentiment index is estimated to fall to 9.6 in Jan'20 from 9.7 in Dec'19 mainly owing to drop in income expectations. However, propensity to buy remains steady, supported by ECB's negative interest rate regime, which penalises savings. This implies consumption may continue to support GDP growth in CY20 as well.

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### Markets

- Bonds:** Except US and Japan, global yields closed lower. US 10Y yield closed stable (1.92%) on account of progress in new NAFTA trade deal. Oil prices fell by (-) 0.6% (US\$ 66/bbl) led by rise in the US rig count. India's 10Y yield fell by 15bps (6.6%) supported by RBI's decision to conduct special OMO purchase (long end) and sale (short end) simultaneously of Rs 100bn. It is trading lower at 6.58% today.
- Currency:** Except AUD and CNY, other global currencies closed lower against the dollar. DXY rose by 0.3% on strong US GDP data. EUR depreciated by (-) 0.4% as flash consumer confidence in Germany (Jan'20) and Euro Area (Dec'19) fell. INR is trading lower today. Asian currencies are trading mixed.
- Equity:** Except Asian indices, other global indices ended higher led by Phase-1 trade deal and US approval of new NAFTA trade deal. Dax (0.8%) gained the most, followed by Dow (0.3%). Sensex on the other hand, ended flat. It is trading higher today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.92	0	9	13	20	(87)
UK	0.78	(2)	(1)	5	15	(54)
Japan	0.01	1	3	9	22	(3)
Germany	(0.25)	(2)	4	9	27	(50)
India	6.60	(15)	(18)	12	(19)	(68)
China	3.20	(3)	0	2	10	(13)
<b>2Y yields (Δ bps)</b>						
US	1.63	0	3	3	(5)	(101)
UK	0.55	(1)	0	(1)	3	(23)
Japan	(0.10)	1	3	11	20	4
Germany	(0.63)	0	(2)	0	9	(3)
India	5.88	6	10	42	8	(99)
China	2.59	0	0	(6)	5	(9)
<b>Currencies (Δ %)</b>						
EUR	1.1079	(0.4)	(0.4)	0	0.6	(2.6)
GBP	1.2999	(0.1)	(2.5)	0.6	4.2	2.8
JPY	109.44	(0.1)	(0.1)	(0.8)	(1.7)	1.6
AUD	0.6900	0.2	0.3	1.1	2.0	(2.0)
INR	71.12	(0.1)	(0.4)	0.8	(0.2)	(1.3)
CNY	7.0066	0.1	(0.4)	0.3	1.2	(1.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,455	0.3	1.1	1.9	5.6	26.8
FTSE	7,582	0.1	3.1	3.5	3.2	12.8
DAX	13,319	0.8	0.3	0.7	6.8	25.3
NIKKEI	23,817	(0.2)	(0.9)	2.2	7.9	18.1
Shanghai Comp	3,005	(0.4)	1.3	2.4	(0.1)	19.4
SENSEX	41,682	0	1.6	3.0	9.6	16.6
Brent (US\$/bbl)	66.14	(0.6)	1.4	8.6	2.9	22.9
Gold (US\$/oz)	1,482	0.2	0.4	0.6	(2.3)	17.9
CRB Index	398.2	0	0.5	2.4	3.3	(3.1)
Rogers Agri Index	746.9	0	1.0	2.9	6.9	(1.9)
LIBOR (3M)*	1.93	2	3	3	(21)	(89)
INR 5Y Swap*	6.63	(1)	4	13	29	(54)
<b>India FII data (US\$ mn)</b>						
	<b>19 Dec</b>	<b>18 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(204.6)	64.5	(185.9)	(546.6)	3,698.2	3,153.6
FII-Equity	117.7	260.7	671.9	594.9	13,967.3	7,122.1

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps

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