

MACRO DAILY

23 January 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 68.9bn and stood at Rs 23tn for the week ending 17 Jan 2020. Reserve money rose by 11.4% on a YoY basis, compared with 17.1% a year ago. On a FYTD basis, reserve money increased by 5.6% as against 8.6% last year.
- US existing home sales growth rose by 3.6% in Dec'19 (~2 year high) from (-) 1.7% in Nov'19 on MoM basis. The improvement was led by falling interest costs as the 30-year fixed mortgage rate is at 3.65% vs the Nov'18 peak of 4.94%. However, median house price was up by 7.8% on a YoY basis as supply continues to fall short owing to land and labour constraints.
- Japan's exports declined for the 13th straight month in Dec'19 by (-) 6.3% (est. -4.2%) vs (-) 7.9% in Nov'19. While exports to US fell by (-) 14.9%, exports to China inched up for the first time in 10 months by 0.8%. Weak exports along with damage by typhoon and sales tax hike have raised the likelihood that the economy contracted in Q4CY19.

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Markets

- **Bonds:** Global yields closed mixed amidst varied macro prints (rising home sales in the US and muted CY19 GDP in South Korea). US 10Y yield inched a tad by 1bps (1.77%). Oil prices fell by (-) 2.1% (US\$ 63/bbl) due to build up in US inventories. India's 10Y yield closed stable at 6.64%. It is trading at 6.63% today.
- **Currency:** Except GBP and EUR, other global currencies were broadly stable. DXY was also flat. GBP rose by 0.7% after a survey showed that business optimism index rose to its highest since CY14. INR is trading lower today while other Asian currencies are trading mixed.
- **Equity:** Barring Nikkei and Shanghai Comp, global indices closed lower led by escalated concerns over coronavirus outbreak. However, Dow ended flat despite stronger US home sales print. Sensex slipped by (-) 0.5%, dragged down by metal and oil & gas stocks. It is trading higher today, while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.77	(1)	(1)	(16)	0	(97)
UK	0.64	0	(2)	(14)	(5)	(69)
Japan	0.00	0	(1)	(1)	14	0
Germany	(0.26)	(1)	(6)	(2)	13	(49)
India	6.64	0	1	7	13	(65)
China	3.03	(2)	(6)	(14)	(18)	(10)
2Y yields (Δ bps)						
US	1.53	0	(3)	(12)	(5)	(105)
UK	0.44	2	(2)	(11)	(9)	(36)
Japan	(0.12)	1	0	(3)	13	5
Germany	(0.59)	0	0	3	7	0
India	6.14	(3)	(3)	30	60	(89)
China	2.23	(7)	(5)	(36)	(37)	(19)
Currencies (Δ %)						
EUR	1.1093	0.1	(0.5)	0	(0.3)	(2.5)
GBP	1.3142	0.7	0.8	1.6	1.8	0.6
JPY	109.84	0	0.1	(0.4)	(1.1)	(0.2)
AUD	0.6844	0	(0.8)	(1.1)	(0.1)	(4.2)
INR	71.20	0	(0.5)	0	(0.4)	0.2
CNY	6.9066	0	(0.2)	1.5	2.2	(1.7)
Equity & Other indices (Δ %)						
Dow	29,186	0	0.5	2.2	8.8	18.8
FTSE	7,572	(0.5)	(0.9)	(0.7)	4.3	10.7
DAX	13,516	(0.3)	0.6	1.6	5.6	22.1
NIKKEI	24,031	0.7	0.5	0.9	6.2	16.7
Shanghai Comp	3,061	0.3	(0.9)	3.3	4.0	18.6
SENSEX	41,115	(0.5)	(1.8)	(1.3)	5.3	13.9
Brent (US\$/bbl)	63.21	(2.1)	(1.2)	(4.8)	3.3	3.4
Gold (US\$/oz)	1,559	0	0.2	4.9	4.5	21.5
CRB Index	410.3	(0.1)	0.1	2.9	4.7	(0.3)
Rogers Agri Index	763.1	0.2	0	2.1	4.8	(1.7)
LIBOR (3M)*	1.81	0	(3)	(14)	(13)	(96)
INR 5Y Swap*	6.75	1	0	12	12	(46)
India FII data (US\$ mn)						
	21 Jan	20 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(163.5)	13.1	(150.4)	(1,721.6)	(1,721.6)	1,222.6
FII-Equity	238.3	183.2	421.5	1,936.4	1,936.4	9,325.6

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

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