

MACRO DAILY

24 January 2020

Macro developments

- As per news reports, government is seeking Rs 100bn interim dividend from RBI in FY20. This comes in the wake of a likely fiscal slippage due to shortfall in revenues and a lower than expected nominal GDP growth. This is the 3rd consecutive year that government has demanded interim dividend from RBI (Rs 100bn in FY18, Rs 280bn in FY19).
- US initial jobless claims rose by 6,000 to 211,000 (est. 214,000) for the week ending 18 Jan, after declining for 5 straight weeks. However, the 4-week moving average declined by 3,250 to 213,250 to its lowest level since Sep'19. This suggests that the labour market continues to remain strong.
- ECB in its first policy for CY20, kept the interest rates unchanged and launched a strategic review of its monetary policy, a first since CY03. The review will assess the monetary policy tool kit, price stability mechanism as well as economic and monetary policy analysis. The council reiterated their commitment to continue with buying the € 20bn per month, till inflation reaches its mandated level of 2%.

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Markets

- Bonds:** Global yields closed lower amidst muted macro prints (rising jobless claims in the US, falling exports in Japan and muted consumer confidence in the Euro Area). US 10Y yield fell by 4bps (1.73%). Oil prices eased by (-) 1.9% (US\$ 62/bbl) amidst concerns of excess supply. Thus, India's 10Y yield fell by 4bps (6.6%). It is trading flat today.
- Currency:** Global currencies closed mixed. EUR fell by (-) 0.3% as ECB launched a review of its policy. CNY depreciated by (-) 0.5% on concerns over the coronavirus outbreak. DXY rose by 0.2%. INR depreciated by (-) 0.1%. It is trading further lower today; Asian currencies are trading higher.
- Equity:** Barring Sensex, global indices closed lower led by escalated concerns over the coronavirus outbreak. Shanghai Comp (-2.8%) dropped the most, followed by Nikkei (-1%). Sensex on the other hand gained (0.7%) led by capital goods and real estate stocks. It is trading higher today; while other Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.73	(4)	(7)	(20)	(3)	(98)
UK	0.59	(4)	(5)	(18)	(3)	(67)
Japan	(0.02)	(2)	(3)	(3)	12	(3)
Germany	(0.31)	(5)	(9)	(7)	10	(49)
India	6.60	(4)	(0)	3	10	(71)
China	3.00	(2)	(9)	(16)	(22)	(13)
2Y yields (Δ bps)						
US	1.51	(1)	(5)	(14)	(6)	(105)
UK	0.42	(2)	(3)	(13)	(5)	(35)
Japan	(0.12)	(1)	0	(3)	12	4
Germany	(0.60)	(2)	(1)	2	7	(2)
India	6.13	(1)	(3)	29	55	(90)
China	2.23	(7)	(5)	(36)	(37)	(19)
Currencies (Δ %)						
EUR	1.1055	(0.3)	(0.7)	(0.3)	(0.4)	(2.2)
GBP	1.3123	(0.1)	0.3	1.4	2.1	0.4
JPY	109.49	0.3	0.6	(0.1)	(0.8)	0.1
AUD	0.6847	0	(0.7)	(1.1)	0.4	(3.5)
INR	71.27	(0.1)	(0.5)	(0.1)	(0.4)	(0.3)
CNY	6.9426	(0.5)	(0.9)	1.0	1.8	(2.3)
Equity & Other indices (Δ %)						
Dow	29,160	(0.1)	(0.5)	2.1	8.8	18.8
FTSE	7,508	(0.8)	(1.3)	(1.5)	2.4	10.1
DAX	13,388	(0.9)	(0.3)	0.7	4.0	20.3
NIKKEI	23,795	(1.0)	(0.6)	(0.1)	4.6	15.7
Shanghai Comp	2,977	(2.8)	(3.2)	0.5	1.2	14.8
SENSEX	41,386	0.7	(1.3)	(0.6)	6.1	14.3
Brent (US\$/bbl)	62.04	(1.9)	(4.0)	(6.6)	0.6	1.6
Gold (US\$/oz)	1,563	0.3	0.7	5.2	3.9	22.0
CRB Index	408.8	(0.4)	(0.4)	2.6	4.5	(0.6)
Rogers Agri Index	761.9	(0.2)	0.9	2.0	4.7	(1.8)
LIBOR (3M)*	1.80	(1)	(3)	(15)	(13)	(96)
INR 5Y Swap*	6.75	0	1	13	14	(46)
India FII data (US\$ mn)						
	22 Jan	21 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	130.2	(163.5)	(20.2)	(1,591.4)	(1,591.4)	1,352.7
FII-Equity	4.0	238.3	425.5	1,940.4	1,940.4	9,329.6

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

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