

MACRO DAILY

24 October 2019

Macro developments

- In the latest round of World Bank's Ease of Doing Business, India's rank notched up 14 places to 63 among 190 countries. This was attributed to the current insolvency regime for which recovery rate of creditors improved from 26.5 cents to 71.6 cents per dollar. Apart from this, substantial progress has also been made in obtaining a building permit which now costs 4% of the warehouse value from 7.5% earlier.
- As per flash PMI data of Japan, both manufacturing and services readings are expected to be lower at 48.5 and 50.3 respectively in Oct'19. This will be on the back of decline in new orders and exports. Further, ongoing global growth slowdown and current consumption tax increase has also impacted economic activity.
- In another dent to global growth slowdown, consumer confidence in the Euro area dropped to its lowest since Dec'18. The reading was far lower at (-) 7.6 in Oct'19 (est.: -6.7) compared with (-) 6.5 in Sep'19. Amidst muted domestic demand and subdued manufacturing activity, ECB is expected to be dovish in its Oct'19 policy.

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Markets

- Bonds:** Except US (closed stable), global yields closed lower as EU has delayed decision on granting 3-month extension to Brexit. Investors are also cautious ahead of Fed and ECB policy. Oil prices rose by 2.5% (US\$ 61/bbl) amidst drawdown of US inventories. India's 10Y fell by 2bps (6.69%) supported by buying from foreign banks and MFs. It is trading at 6.7% today.
- Currency:** Global currencies closed mixed. GBP appreciated by 0.3% as hopes still persisted of avoiding a no-deal Brexit, despite the ongoing limbo. EUR closed flat. Positive comments over US-China trade deal led safe haven JPY depreciate by (-) 0.2%. INR appreciated by 0.1%. It is also trading higher today, in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, global indices closed higher over optimism on US-China trade talks and withdrawal of sanction on Turkey by US President. Sensex rose by 0.2%. It is trading higher today, ahead of the results of state elections.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.76	0	2	4	(28)	(134)
UK	0.69	(3)	(3)	6	1	(77)
Japan	(0.14)	(1)	3	7	1	(27)
Germany	(0.39)	(3)	(1)	13	(2)	(79)
India^	6.69	(2)	2	(10)	25	(118)
China	3.21	(1)	4	11	4	(36)
2Y yields (Δ bps)						
US	1.58	(1)	(0)	(10)	(24)	(125)
UK	0.53	1	(3)	1	5	(22)
Japan	(0.24)	(1)	2	5	(4)	(13)
Germany	(0.66)	0	2	6	12	(3)
India	5.54	(3)	(6)	(26)	(55)	(204)
China#	2.59	(1)	4	6	1	(30)
Currencies (Δ %)						
EUR	1.1130	0	0.5	1.0	(0.1)	(2.3)
GBP	1.2912	0.3	0.6	3.5	3.4	0.2
JPY	108.69	(0.2)	0.1	(1.1)	(0.5)	3.2
AUD	0.6853	0	1.4	1.3	(1.8)	(2.9)
INR	70.90	0.1	0.7	0.1	(2.8)	3.1
CNY	7.0650	0.2	0.4	0.4	(2.8)	(1.7)
Equity & Other indices (Δ %)						
Dow	26,834	0.2	(0.6)	(0.4)	(1.6)	9.2
FTSE	7,261	0.7	1.3	(1.1)	(3.2)	4.3
DAX	12,798	0.3	1.0	2.6	2.2	14.4
NIKKEI	22,625	0.3	0.7	2.5	4.2	2.4
Shanghai Comp	2,942	(0.4)	(1.2)	(2.2)	0.6	13.0
SENSEX	39,059	0.2	1.2	2.7	3.2	14.8
Brent (US\$/bbl)	61.17	2.5	2.9	(4.8)	(3.2)	(19.7)
Gold (US\$/oz)	1,492	0.3	0.1	(1.6)	4.6	20.9
CRB Index	391.9	(0.1)	(0.3)	1.7	(3.8)	(5.7)
Rogers Agri Index	728.1	0.3	0.1	4.2	(1.4)	(6.9)
LIBOR (3M)*	1.94	0	(7)	(20)	(33)	(57)
INR 5Y Swap*	6.63	9	16	28	12	(104)
India FII data (US\$ mn)						
	22 Oct	18 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	44.9	44.8	44.9	150.5	4,123.9	3,579.3
FII-Equity	(151.5)	15.1	(151.5)	602.2	8,762.9	1,917.7

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

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