

MACRO DAILY

25 November 2019

Macro developments

- As per news reports, government may amend the IBC in the winter session of the parliament. This amendment is likely to protect companies from prosecution of financial crimes committed by erstwhile promoters. Thus, making it more attractive for bidders and enabling faster resolution process. Recovery rate under IBC has risen to 46.1% in H1FY19 vs 12.4% in FY15.
- CPI inflation in Japan remained stagnant at 0.2% in Oct'19 vs. est. 0.3%. Core CPI (ex. fresh food) rose by 0.4% marginally higher than 0.3% in Sep'19. This is despite a hike in sales tax from 8% to 10% in Oct'19 and suggests that the companies are wary of transferring higher costs to the consumers as domestic demand remains sluggish.
- Flash manufacturing PMIs for the US, Eurozone and Japan indicate activity improved marginally in Nov'19. While PMIs in Germany (43.8 vs 42.1 in Oct'19) and Japan (48.6 vs 48.4) continue to remain in contraction, pace of deceleration slowed. France (51.6 vs 50.7) and US (52.2 vs 51.3) saw steady expansion of activity in Nov'19. In case of services activity, while Eurozone is seeing a slowdown, US and Japan saw moderate expansion.

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Markets

- Bonds:** Global yields closed mixed as developments over US-China trade deal remained in focus. US 10Y yield closed stable (1.77%) over upbeat US manufacturing and services data. Oil prices fell by (-) 0.9% (US\$ 63/bbl). India's 10Y fell a tad by 1bps (6.5%). It is trading lower at 6.48% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.3% as US manufacturing and services flash PMIs rose more than expected. GBP depreciated by (-) 0.6% as UK flash manufacturing PMI fell to the lowest in over 40 months in Oct'19. INR rose by 0.1%. While Asian currencies are trading mixed, INR is trading flat today.
- Equity:** Barring Shanghai Comp and Sensex, global indices ended higher led by positive developments in US-China trade deal. Amongst other indices, FTSE (1.2%) rose the most followed by Dow (0.4%) and Nikkei. Sensex on the other hand ended in red (-0.5%), dragged down by IT and banking stocks. However, it is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.77	0	(6)	1	24	(127)
UK	0.71	(5)	(2)	2	22	(68)
Japan	(0.07)	3	(1)	6	16	(17)
Germany	(0.36)	(3)	(3)	4	32	(70)
India	6.50	(1)	(2)	(1)	(7)	(121)
China	3.17	0	(7)	(4)	10	(25)
2Y yields (Δ bps)						
US	1.63	2	2	5	9	(118)
UK	0.53	(5)	(2)	0	8	(21)
Japan	(0.18)	1	1	6	11	(4)
Germany	(0.64)	(1)	0	2	26	(6)
India	5.41	(3)	(5)	(13)	(39)	(189)
China#	2.63	(2)	(6)	3	3	12
Currencies (Δ %)						
EUR	1.1021	(0.3)	(0.3)	(1.0)	(1.1)	(2.8)
GBP	1.2834	(0.6)	(0.5)	(0.6)	4.6	0.2
JPY	108.66	0	0.1	0	(3.1)	3.8
AUD	0.6786	0	(0.5)	(1.0)	0.4	(6.2)
INR	71.72	0.1	0.1	(1.1)	(0.1)	(1.4)
CNY	7.0383	(0.1)	(0.4)	0.4	0.8	(1.3)
Equity & Other indices (Δ %)						
Dow	27,876	0.4	(0.5)	3.9	8.8	14.8
FTSE	7,327	1.2	0.3	0.9	3.3	5.4
DAX	13,164	0.2	(0.6)	2.9	13.4	17.6
NIKKEI	23,113	0.3	(0.8)	2.2	11.6	6.8
Shanghai Comp	2,885	(0.6)	(0.2)	(1.9)	(0.4)	11.9
SENSEX	40,359	(0.5)	0	3.3	10.0	15.4
Brent (US\$/bbl)	63.39	(0.9)	0.1	3.6	6.8	7.8
Gold (US\$/oz)	1,462	(0.2)	(0.4)	(2.0)	(4.3)	19.5
CRB Index	387.5	0	(0.8)	(1.1)	(1.3)	(6.7)
Rogers Agri Index	724.8	0.3	(0.3)	(0.5)	6.3	(5.5)
LIBOR (3M)*	1.92	1	1	(2)	(23)	(77)
INR 5Y Swap*	6.42	0	(4)	(21)	15	(112)
India FII data (US\$ mn)						
	21 Nov	20 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(44.9)	(339.1)	(560.9)	(114.6)	4,572.2	4,027.6
FII-Equity	697.2	59.7	596.0	2,181.9	12,404.7	5,559.5

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield

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