

MACRO DAILY

26 December 2019

Macro developments

- RBI's report showed that GNPA ratio of SCBs declined to 9.1% in FY19 from 11.2% in FY18. Overall recovery rate improved to 15.5% in FY19 vs 14.9% in FY18. Credit demand in FY19 improved to 13.3% vs 10.4% in FY18. However, challenges persist with regard to stress in the NBFC sector, corporate governance and frauds. CRAR ratio also improved to 14.3% for SCBs vs 13.8% in FY18, driven by Rs 1.06tn capital infusion by government to PSBs.
- As announced in the policy statement of 5 Dec, RBI has introduced a new Prepaid Payment Instrument (PPI) to boost small value digital payments. The instrument can be issued by both bank and non-bank issuers, with a maximum monthly limit of Rs 10,000 (to be loaded or re-loaded only from a bank account). This move is expected to enhance use of digital payments at small merchant locations where transaction failure rates are high.
- World trade volume declined for the 5th consecutive month in Oct'19 by (-) 2.1% vs (-) 1.1% in Sep'19 as per estimates by CPB Netherlands. The deceleration was more pronounced in emerging Asia (ex China) at (-) 6.2% vs (-) 3.3% in Sep'19 and Japan (-3.6% vs +3.2%). In CYTD19 (Jan-Oct), world trade volume fell by (-) 0.5% vs +4.2% in CYTD18.

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Markets

- **Bonds:** Except US, global yields closed flat in the truncated trading week. US 10Y yield fell by 3bps (1.9%). Oil prices rose by 1.2% (US\$ 67/bbl) as OPEC+ producers agreed on deeper output cuts. India's 10Y yield also closed flat at 6.58% and is trading at 6.59% today.
- **Currency:** Global currencies traded in narrow margins as the holiday season set in. GBP snapped its 5-day losing streak to end slightly higher by 0.1%. INR depreciated by (-) 0.1% as oil prices continue to climb. In line with other Asian currencies, INR is trading higher today.
- **Equity:** Global indices largely ended mixed as investors continued to look for global cues with the onset of holiday season. While Shanghai Comp gained 0.7%, Dow slipped by (-) 0.1%. Sensex too ended in red dragged down by oil & gas and capital goods stocks. It is trading lower today; while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.90	(3)	2	13	25	(84)
UK	0.77	0	1	6	24	(49)
Japan	0.01	0	2	9	25	(4)
Germany	(0.24)	0	5	12	36	(49)
India	6.58	0	(18)	8	(20)	(71)
China	3.17	0	(6)	(1)	5	(19)
2Y yields (Δ bps)						
US	1.62	(3)	0	(1)	0	(94)
UK	0.56	1	3	3	11	(17)
Japan	(0.09)	0	2	9	22	4
Germany	(0.62)	0	2	2	11	(2)
India	5.81	(3)	(1)	40	2	(105)
China	2.42	(17)	(17)	(20)	(14)	(26)
Currencies (Δ %)						
EUR	1.1089	0	(0.5)	0.6	0.6	(2.8)
GBP	1.2944	0.1	(1.4)	0.9	3.7	1.9
JPY	109.39	0	0.1	(0.7)	(2.2)	1.0
AUD	0.6922	0	1.0	2.0	1.8	(1.8)
INR	71.27	(0.1)	(0.4)	0.6	(0.4)	(1.6)
CNY	7.0073	0.1	(0.1)	0.4	1.5	(1.6)
Equity & Other indices (Δ %)						
Dow	28,515	(0.1)	0.9	2.3	6.4	30.9
FTSE	7,632	0.1	1.4	4.2	4.7	14.2
DAX	13,301	(0.1)	(0.8)	1.0	8.1	25.1
NIKKEI	23,831	0	(1.0)	3.1	7.8	18.2
Shanghai Comp	2,983	0.7	(1.3)	3.4	(0.1)	18.0
SENSEX	41,461	(0.4)	0.3	2.7	6.0	16.9
Brent (US\$/bbl)	67.20	1.2	1.7	6.0	6.5	33.1
Gold (US\$/oz)	1,499	0.9	1.6	2.6	(2.1)	18.1
CRB Index	398.8	0	0	2.9	3.3	(2.8)
Rogers Agri Index	748.2	0.2	(0.1)	3.2	6.5	(1.8)
LIBOR (3M)*	1.96	1	6	4	(15)	(85)
INR 5Y Swap*	6.64	1	(1)	22	32	(55)
India FII data (US\$ mn)						
	23 Dec	20 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	102.4	(449.8)	102.4	(894.0)	3,350.8	2,806.1
FII-Equity	315.1	66.4	315.1	976.4	14,348.8	7,503.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | All markets as on last trading day.

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