

MACRO DAILY

26 November 2019

Macro developments

- In view of surging onion prices, MMTC has been contracted to import 6,090 tons of onion, in response to government's decision to import 0.12mn tons. Retail prices of onion have been increasing since Apr'19 and risen by 34% MoM in Nov'19 (till date). With 0.64% weight in CPI, higher onion prices may exert pressure on the already spiraling vegetable prices.
- Germany's Ifo business climate index rose to 95 in Nov'19 from 94.7 in Oct'19. The third monthly increase in the index raises hopes that the economy will grow at a faster pace of 0.2% in Q4CY19 from 0.1% in Q3CY19. Businesses' assessment of both the current situation and future expectations rose. However, manufacturing continues to remain in recession while trade as well as services sector have shown resilience.
- Taiwan's industrial production declined by (-) 2.9% in Oct'19 vs (-) 0.7% in Sep'19, within which manufacturing fell by (-) 3.3% vs (-) 0.5% in Sep'19. Production of final goods eased (1.4% vs 1.9% in Sep'19), while that of intermediate goods fell sharply (-4.4% vs -1.2%). On CYTD basis, overall production is down by (-) 1.2%, while manufacturing is down by (-) 1.3%.

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Markets

- **Bonds:** Global yields closed mixed as hopes of US-China trade deal resurfaced. US 10Y yield fell by 2bps (1.76%) after Powell signalled that low inflation means higher rates will not be necessary in the near future. Oil prices rose by 0.4% (US\$ 64/bbl). India's 10Y yield fell by 3bps (6.47%) as weaker growth print is expected in Q2FY20. It is trading at 6.48% today.
- **Currency:** Global currencies closed mixed. DXY rose by 0.1% on the back of reports suggesting that US and China are close to a trade deal. GBP appreciated by 0.5% on expectations of a comfortable win for the ruling Conservative party in the upcoming elections. INR is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Led by renewed optimism over US-China trade deal, landslide victory of pro-democracy candidates in Hong Kong and news of mergers in US, global indices ended higher. Sensex (1.3%) surged the most, followed by FTSE (0.9%) and Nikkei (0.8%). The gain in Sensex was led by metal and real estate stocks. 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	1.76	(2)	(6)	(4)	22	(130)
UK	0.70	(1)	(5)	1	22	(71)
Japan	(0.08)	0	0	6	19	(17)
Germany	(0.35)	1	(1)	1	32	(71)
India	6.47	(3)	(1)	(3)	(1)	(126)
China	3.20	2	1	(4)	14	(22)
2Y yields (Δ bps)						
US	1.61	(1)	2	0	7	(122)
UK	0.52	(1)	(5)	0	7	(26)
Japan	(0.18)	0	2	5	13	(4)
Germany	(0.63)	1	0	3	27	(6)
India	5.42	1	(5)	(16)	(33)	(190)
China#	2.64	1	(5)	1	5	13
Currencies (Δ %)						
EUR	1.1014	(0.1)	(0.5)	(0.6)	(0.8)	(2.8)
GBP	1.2900	0.5	(0.4)	0.6	5.6	0.6
JPY	108.93	(0.2)	(0.2)	(0.2)	(2.6)	4.1
AUD	0.6779	(0.1)	(0.5)	(0.6)	0.1	(6.1)
INR	71.73	0	0.2	(1.2)	0.4	(1.2)
CNY	7.0364	0	(0.1)	0.4	1.6	(1.4)
Equity & Other indices (Δ %)						
Dow	28,066	0.7	0.1	4.1	8.4	13.9
FTSE	7,396	0.9	1.2	1.0	4.3	5.1
DAX	13,246	0.6	0.3	2.7	13.6	16.7
NIKKEI	23,293	0.8	(0.5)	2.2	15.0	6.8
Shanghai Comp	2,906	0.7	(0.1)	(1.7)	1.5	12.8
SENSEX	40,889	1.3	1.5	4.7	9.1	15.7
Brent (US\$/bbl)	63.65	0.4	1.9	2.6	8.4	5.2
Gold (US\$/oz)	1,455	(0.5)	(1.1)	(3.3)	(4.7)	19.0
CRB Index	387.6	0	(0.3)	(0.8)	(1.1)	(6.2)
Rogers Agri Index	730.0	0.7	0.7	0.3	6.7	(4.6)
LIBOR (3M)*	1.92	1	1	(1)	(20)	(79)
INR 5Y Swap*	6.40	(2)	(8)	(12)	24	(114)
India FII data (US\$ mn)						
	22 Nov	21 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	56.8	(44.9)	(504.0)	(57.7)	4,629.1	4,084.4
FII-Equity	84.5	697.2	680.4	2,266.4	12,489.2	5,644.0

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

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