

MACRO DAILY

27 November 2019

Macro developments

- In continuation with its disinvestment efforts, government has collected Rs 7.3bn from divestment of 10% stake in RITES Ltd, through the OFS route. Earlier, government had announced strategic disinvestment of 5 PSUs, which is expected to fetch around Rs 784bn to the exchequer. These efforts will help in achieving the disinvestment target of Rs 1.05tn in FY20BE vs Rs 173.6bn have been collected so far (Apr-Nov'19).
- China's industrial profits recorded their steepest decline in 8 years in Oct'19 at (-) 9.9% vs (-) 5.3% in Sep'19. On a CYTD basis profits were down by (-) 2.9% vs (-) 2.1% between Jan-Sep'19. The drag was led by SOEs where profits have fallen by (-) 12.1% vs (-) 9.6% in Jan-Sep'19. Manufacturing sector profits have dropped by (-) 4.9% vs (-) 3.9%.
- US consumer confidence dropped for the 4th straight month to 125.5 in Nov'19 from 126.1 in Oct'19. However, ahead of the holiday season, future (6-months) consumer expectations index remained upbeat (97.9 vs 94.5). Separately, trade deficit narrowed to a 17-month low of US\$ 66.5bn in Oct'19 led by sharper drop in imports (-2.4% vs -2.1%). Exports on the other hand fell by (-) 0.7% vs (-) 1.3% in Sep'19.

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Markets

- Bonds:** Except India, global yields closed lower over muted consumer confidence and lower than expected home sales in the US. Thus, US 10Y yield fell by 1bps (1.74%). Oil prices rose by 1% (US\$ 64/bbl) over optimism on US-China trade deal. India's 10Y yield rose a tad by 1bps (6.48%) due to profit booking as market awaits Q2GDP print. It is trading at 6.49% today.
- Currency:** Global currencies ended mixed as developments in US-China trade deal remained in focus. DXY fell by (-) 0.1% as US consumer confidence declined in Nov'19. GBP fell by (-) 0.3% as exit polls predict a narrowing lead for British PM. INR rose by 0.3%. It is trading even higher today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended mixed as investors await further developments in US-China trade deal. Nikkei gained the most (0.3%), followed by Dow (0.2%). Sensex fell by (-) 0.2%, dragged down by tech and capital goods stocks. It is trading higher today while 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	1.74	(1)	(4)	(5)	27	(132)
UK	0.65	(5)	(8)	(3)	15	(74)
Japan	(0.09)	(1)	(1)	5	18	(18)
Germany	(0.37)	(2)	(3)	(1)	32	(72)
India	6.48	1	1	(2)	(5)	(125)
China	3.18	(1)	1	(6)	13	(23)
2Y yields (Δ bps)						
US	1.58	(3)	(1)	(4)	6	(125)
UK	0.49	(3)	(7)	(3)	11	(29)
Japan	(0.18)	0	2	5	11	(4)
Germany	(0.64)	(1)	(1)	2	25	(6)
India	5.41	(1)	(5)	(17)	(36)	(191)
China#	2.63	0	(1)	1	5	13
Currencies (Δ %)						
EUR	1.1021	0.1	(0.5)	(0.5)	(0.6)	(2.4)
GBP	1.2866	(0.3)	(0.5)	0.3	4.7	0.9
JPY	109.05	(0.1)	(0.5)	(0.3)	(3.1)	4.2
AUD	0.6788	0.1	(0.6)	(0.5)	0.5	(6.0)
INR	71.49	0.3	0.3	(0.9)	0	(1.0)
CNY	7.0336	0	(0.1)	0.5	1.8	(1.2)
Equity & Other indices (Δ %)						
Dow	28,122	0.2	0.7	4.3	9.1	13.6
FTSE	7,403	0.1	1.1	1.1	4.4	5.5
DAX	13,236	(0.1)	0.1	2.7	12.8	17.0
NIKKEI	23,373	0.3	0.3	2.5	14.3	6.5
Shanghai Comp	2,907	0	(0.9)	(1.6)	0.2	12.9
SENSEX	40,821	(0.2)	0.9	4.5	8.4	14.9
Brent (US\$/bbl)	64.27	1.0	5.5	3.6	8.0	6.7
Gold (US\$/oz)	1,461	0.4	(0.8)	(2.9)	(5.3)	20.3
CRB Index	386.9	(0.2)	(0.5)	(1.0)	(0.8)	(6.0)
Rogers Agri Index	726.7	(0.5)	0.2	(0.2)	6.4	(4.8)
LIBOR (3M)*	1.92	0	2	(1)	(20)	(79)
INR 5Y Swap*	6.40	0	(11)	(12)	22	(109)
India FII data (US\$ mn)						
	25 Nov	22 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(50.9)	56.8	(50.9)	(108.7)	4,578.2	4,033.5
FII-Equity	277.3	84.5	277.3	2,543.7	12,766.4	5,921.2

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

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