

MACRO DAILY

28 January 2020

Macro developments

- According to first advance estimates for 2019-20, horticulture output is expected to rise by 0.8% to 313.3mn tn (2019-20) compared with last year. This will largely be driven by increase in the production of vegetables, aromatics and medicinal plantations. Within vegetables, production of onion, potato and tomato is expected to surge by 7.1%, 3.5% and 1.7% respectively in 2019-20 on a YoY basis.
- Business confidence in Germany remained muted with IFO index at 95.9 (est.: 97) in Jan'19 weaker than 96.3 in Dec'19. The expectation index was lower at 92.9 for Jan'19, down from previous month's 93.8. The macro print was in line with a benign growth outlook in Germany (0.6% growth recorded in CY19, weakest since CY13).
- US new home sales declined for the 3rd straight month by (-) 0.4 % on MoM basis to 694,000 in Dec'19 (est.: 730,000) vs 697,000 in Nov'19. This was on account of lack of supply of affordable homes due to land and labour shortage. Thus the median new house price rose by 0.5% in Dec'19 on YoY basis to US\$ 0.3m.

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Markets

- **Bonds:** Global yields closed lower amidst fears of outbreak of coronavirus and weak macro prints in US and Germany. US 10Y yield fell the most (8bps to 1.61%) followed by Germany (5bps to 0.39%). Oil prices also fell by (-) 2.3% to US\$59/bbl. India's 10Y yield fell by 3bps (6.56%) as market participants anticipated another round of simultaneous OMO purchase/sale operation by RBI. It is trading at 6.57% today.
- **Currency:** Barring JPY, other global currencies fell as concerns over the outbreak of coronavirus escalated. DXY rose by 0.1% and continues to remain a safe-haven. INR depreciated by (-) 0.2%. However, it is trading higher today, while other Asian currencies are trading lower.
- **Equity:** Amidst growing scare of the spread of coronavirus, global indices ended lower. European indices dropped the most driven by weaker macro prints. Sensex (-1.1%) too ended in red led by subdued global cues and was further dragged down by metal stocks. It is trading higher today; while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.61	(8)	(21)	(27)	(23)	(114)
UK	0.51	(5)	(14)	(25)	(21)	(76)
Japan	(0.04)	(2)	(5)	(4)	8	(5)
Germany	(0.39)	(5)	(17)	(13)	(5)	(59)
India	6.56	(3)	(9)	5	4	(78)
China	3.00	(2)	(5)	(13)	(29)	(15)
2Y yields (Δ bps)						
US	1.44	(5)	(12)	(14)	(20)	(115)
UK	0.41	(1)	(2)	(16)	(13)	(36)
Japan	(0.14)	(1)	(2)	(1)	7	3
Germany	(0.63)	(2)	(4)	0	2	(5)
India	6.08	(1)	(9)	26	55	(91)
China	2.23	(7)	(5)	(5)	(40)	(18)
Currencies (Δ %)						
EUR	1.1019	(0.1)	(0.7)	(1.4)	(0.7)	(3.6)
GBP	1.3057	(0.1)	0.4	(0.2)	1.5	(0.8)
JPY	108.90	0.3	1.2	0.5	0	0.4
AUD	0.6761	(1.0)	(1.6)	(3.1)	(1.1)	(5.7)
INR	71.44	(0.2)	(0.5)	(0.1)	(0.8)	(0.5)
CNY	6.9426	(0.5)	(1.1)	0.8	1.8	(2.9)
Equity & Other indices (Δ %)						
Dow	28,536	(1.6)	(2.8)	(0.4)	5.3	16.3
FTSE	7,412	(2.3)	(3.1)	(3.0)	1.1	9.9
DAX	13,205	(2.7)	(2.5)	(1.0)	2.0	17.8
NIKKEI	23,344	(2.0)	(3.1)	(2.1)	2.1	13.0
Shanghai Comp	2,977	(2.8)	(3.9)	(0.9)	(0.1)	14.6
SENSEX	41,155	(1.1)	(0.9)	(1.0)	3.3	15.4
Brent (US\$/bbl)	59.32	(2.3)	(9.0)	(13.0)	(3.7)	(1.0)
Gold (US\$/oz)	1,582	0.7	1.4	4.7	6.0	21.4
CRB Index	406.0	(0.6)	(1.1)	1.2	3.9	(1.6)
Rogers Agri Index	745.3	(0.9)	(2.5)	(1.5)	2.7	(4.1)
LIBOR (3M)*	1.80	0	(1)	(15)	(14)	(96)
INR 5Y Swap*	6.64	(5)	(13)	(11)	13	(55)
India FII data (US\$ mn)						
	24 Jan	23 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	113.3	35.9	129.0	(1,442.2)	(1,442.2)	1,501.9
FII-Equity	83.6	210.1	719.3	2,234.2	2,234.2	9,623.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Markets in China were closed on 24.1.20

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