

MACRO DAILY

28 November 2019

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 18.6bn and stood at Rs 22.6tn for the week ending 22 Nov 2019. Reserve money rose by 12.1% on a YoY basis, compared with 18.4% a year ago. On a FYTD basis, reserve money increased by 3.1% as against 5.3% last year.
- US GDP rose by 2.1% in Q3CY19 (est.: 1.9%) on an annualized basis driven by faster pace of inventory accumulation. Consumer spending was stable at 2.9% in Q3CY19. US durable goods orders also rebounded in Oct'19 (0.6% vs -1.4% in Sep'19). Core capital orders picked up by 1.2%. Jobless claims fell by 15,000 to 213,000 for the week ending 23 Nov 2019, reflecting buoyant labour market conditions.
- Japan's retail sales fell by (-) 7.1% in Oct'19 vs est.: (-) 3.8%. The steepest decline since Mar'15 (-9.7%) was on the back of implementation of higher sales tax w.e.f. 1 Oct 2019, front loading of spending and demand disruptions owing to typhoon. However, underlying weakness in domestic demand also remains, as the MoM drop in Oct'19 was higher (-14.4%) compared with previous 2 tax hikes in CY97 & CY04 (-13.7%).

Sonal Badhan | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed as markets continue to monitor US-China trade deal. US 10Y yield rose by 2bps (1.77%) amidst better macro prints. Oil prices fell by (-) 0.3% (US\$ 64/bbl) over build-up in US inventories. India's 10Y yield fell by 1bps (6.47%) supported by buying from foreign banks and MFs. It is trading at 6.46% today.
- **Currency:** Global currencies ended mixed. DXY rose by 0.1% on the back of upbeat US macro data (GDP, durable goods). JPY fell by (-) 0.4%. INR rose by 0.2% supported by FII inflows. It is trading even higher today, while other Asian currencies are trading mixed.
- **Equity:** Barring Shanghai Comp, global indices ended higher after better than expected data print from US (durable goods order, GDP and jobless claims). Amongst other indices, Sensex surged (0.5%) the most pushed up by auto and oil & gas 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	1.77	2	2	(3)	29	(129)
UK	0.68	3	(5)	(1)	23	(70)
Japan	(0.11)	(2)	0	3	17	(21)
Germany	(0.37)	0	(3)	(1)	34	(72)
India	6.47	(1)	1	(3)	(10)	(117)
China	3.19	0	1	(6)	13	(22)
2Y yields (Δ bps)						
US	1.63	4	5	1	13	(118)
UK	0.51	2	(6)	(1)	16	(24)
Japan	(0.19)	(1)	1	4	11	(6)
Germany	(0.63)	0	1	2	25	(5)
India	5.37	(4)	(8)	(21)	(38)	(189)
China#	2.63	0	(1)	1	3	13
Currencies (Δ %)						
EUR	1.0999	(0.2)	(0.7)	(0.7)	(0.7)	(3.2)
GBP	1.2921	0.4	0	0.7	5.8	0.7
JPY	109.54	(0.4)	(0.9)	(0.8)	(3.2)	3.6
AUD	0.6776	(0.2)	(0.4)	(0.7)	0.6	(7.3)
INR	71.35	0.2	0.6	(0.7)	0.6	(1.0)
CNY	7.0290	0.1	0.1	0.5	1.9	(1.1)
Equity & Other indices (Δ %)						
Dow	28,164	0.2	1.2	4.5	8.2	11.0
FTSE	7,430	0.4	2.3	1.4	4.4	6.1
DAX	13,287	0.4	1.0	3.0	13.6	17.6
NIKKEI	23,438	0.3	1.2	2.8	14.4	5.7
Shanghai Comp	2,903	(0.1)	(0.3)	(1.8)	0.3	11.6
SENSEX	41,021	0.5	0.9	5.0	9.5	14.8
Brent (US\$/bbl)	64.06	(0.3)	2.7	3.3	5.9	9.0
Gold (US\$/oz)	1,454	(0.5)	(1.2)	(3.3)	(5.5)	19.1
CRB Index	387.0	0	(0.3)	(1.0)	(0.9)	(6.3)
Rogers Agri Index	724.7	(0.3)	0	(0.4)	5.5	(6.0)
LIBOR (3M)*	1.91	(1)	1	(2)	(22)	(80)
INR 5Y Swap*	6.41	1	(7)	(11)	23	(107)
India FII data (US\$ mn)						
	26 Nov	25 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(170.3)	(50.9)	(221.2)	(278.9)	4,407.9	3,863.3
FII-Equity	630.7	277.3	908.0	3,174.4	13,397.2	6,552.0

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.in



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com