

MACRO DAILY

29 January 2020

Macro developments

- In an effort to boost alternate sources of infra funding, NHA has planned to raise Rs 150-200bn through its maiden InvIT offer. Earlier only two private sector developers had raised money through InvIT. Government's focus towards infra gained momentum with allocation to Ministry of Road Transport and Highways rising by 12% to Rs 1.1tn in FY20BE. Recent announcement of Rs 102tn NIP is also a step towards the same.
- Australia's CPI inflation edged up to 0.7% in Q4CY19 (est. 0.6%) and 0.5% in Q3CY19, on a QoQ basis. The increase was led by tobacco (8.4%) and travel & accommodation (7.3%). While inflation remained below RBA's target in Q4 (1.8% YoY), the higher than expected print along with a strong labour market suggests that RBA will remain on hold in its Feb policy meet.
- US durable goods rebounded to 2.4% in Dec'19 (est. 1.2%) vs (-) 3.1% in Nov'19 on a MoM basis. This was driven by orders of transportation equipment surging to 7.6% vs (-) 8.3%. US consumer confidence jumped to a 5-month high of 131.6 in Jan'20 from 126.5 in Dec'19 as consumers remained optimistic about the improved economic outlook.

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Markets

- Bonds:** Except China, global yields closed higher. US 10Y yield rose the most by 5bps (1.66%) over higher consumer confidence print. Oil prices rose by 0.3% (US\$ 60/bbl) amidst reports of OPEC's willingness to extend the production cut till Jun'20. India's 10Y yield rose by 2bps (6.58%), taking global cues. It is trading at 6.59% today.
- Currency:** Global currencies closed mixed as investors focussed on US Fed policy decision. DXY rose for the fifth straight session to a 2-month high as US macro data was better than expected (consumer confidence and durable goods). INR rose by 0.1%. It is trading further higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed on the back of escalated concerns over spread of coronavirus. However, European indices closed in green (0.9%) followed by Dow (0.7%) led by stronger macro print from US. Weakness in metal stocks, continued to drag Sensex (-0.5%) lower. 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	1.66	5	(12)	(22)	(18)	(105)
UK	0.55	4	(8)	(20)	(16)	(72)
Japan	(0.04)	1	(4)	(4)	6	(5)
Germany	(0.34)	4	(9)	(9)	1	(54)
India	6.58	2	(6)	7	6	(74)
China	3.00	(2)	(4)	(13)	(31)	(13)
2Y yields (Δ bps)						
US	1.46	2	(7)	(12)	(18)	(111)
UK	0.45	4	2	(12)	(9)	(34)
Japan	(0.13)	1	0	0	7	3
Germany	(0.63)	0	(4)	1	1	(6)
India	6.09	1	(8)	27	56	(87)
China	2.23	(7)	(5)	(42)	(40)	(18)
Currencies (Δ %)						
EUR	1.1022	0	(0.5)	(1.4)	(0.8)	(3.6)
GBP	1.3028	(0.2)	(0.2)	(0.4)	1.3	(0.3)
JPY	109.15	(0.2)	0.7	0.3	(0.2)	0.2
AUD	0.6762	0	(1.2)	(3.1)	(1.5)	(5.5)
INR	71.34	0.1	(0.2)	0	(0.7)	(0.3)
CNY	6.9426	(0.5)	(0.5)	0.8	1.7	(3.1)
Equity & Other indices (Δ %)						
Dow	28,723	0.7	(1.6)	0.3	6.1	16.9
FTSE	7,481	0.9	(1.7)	(2.1)	2.4	9.5
DAX	13,324	0.9	(1.7)	(0.1)	3.0	18.8
NIKKEI	23,216	(0.5)	(2.7)	(2.6)	1.1	12.3
Shanghai Comp	2,977	(2.8)	(2.5)	(0.9)	0.8	14.7
SENSEX	40,967	(0.5)	(0.9)	(1.5)	2.8	15.1
Brent (US\$/bbl)	59.51	0.3	(7.9)	(12.7)	(3.4)	(3.0)
Gold (US\$/oz)	1,567	(0.9)	0.6	3.7	5.3	19.5
CRB Index	405.9	(0.0)	(1.2)	1.2	3.7	(1.7)
Rogers Agri Index	749.4	0.5	(1.6)	(1.0)	3.2	(3.4)
LIBOR (3M)*	1.77	(2)	(4)	(17)	(15)	(97)
INR 5Y Swap*	6.68	4	(6)	(7)	15	(53)
India FII data (US\$ mn)						
	27 Jan	24 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(24.2)	113.3	(24.2)	(1,466.4)	(1,466.4)	1,477.7
FII-Equity	(24.4)	83.6	(24.4)	2,209.7	2,209.7	9,599.0

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Markets in China remain closed on account of Lunar New Year.

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