

MACRO DAILY

30 January 2020

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 25.5bn and stood at Rs 23tn for the week ending 24 Jan 2020. Reserve money rose by 11.8% on a YoY basis, compared with 16.2% a year ago. On a FYTD basis, reserve money increased by 5.5% as against 8.1% last year.
- Consumer confidence in major European countries edged up more than expected suggesting a pickup in economic growth in the region. While consumer confidence in Germany rose to 9.9 in Feb'20 (est. 9.7) vs 9.7 in Jan'20, it also picked up in France to 104 in Jan'20 vs 102 in Dec'19. In Italy too, consumer confidence rose to 111.8 in Jan'20 vs 110.8.
- US Fed in its first meeting for CY20 kept the policy rates on hold. This is not only “appropriate” to support the current economic expansion, but also to support “inflation returning to the 2% objective”. However, the Board approved the 5bps increase in the interest rate on excess reserves to 1.6% and also extended the term repos and overnight repos till Apr'20 as it previously committed.

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Markets

- **Bonds:** Except Japan (flat), global yields closed lower as the death toll due to the coronavirus outbreak rose sharply and US Fed kept policy rates steady. US 10Y yield dipped the most by 7bps to a more than 3-month low. Oil prices rose by 0.5% (US\$ 60/bbl) on reports that OPEC may extend production cuts. Following global cues, India's 10Y yield fell by 1bps (6.57%). It is trading further lower at 6.56% today.
- **Currency:** Except JPY and INR, other global currencies closed lower as the Fed Chair also expressed concerns over the economic impact of the coronavirus outbreak. DXY closed flat. INR rose by 0.1%. However, it is trading lower today in line with other Asian currencies.
- **Equity:** Barring Dow and FTSE (flat), other global indices ended higher after Fed kept rates steady and a pick-up in consumer confidence in major European countries. Sensex (0.6%) ended in green as investors expect market friendly announcements in the upcoming Budget. It was further supported by DII inflow of Rs 15.2bn. However, it is trading lower 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	1.58	(7)	(19)	(29)	(19)	(109)
UK	0.52	(4)	(12)	(35)	(17)	(74)
Japan	(0.04)	0	(4)	(3)	7	(4)
Germany	(0.38)	(4)	(12)	(19)	(2)	(57)
India	6.57	(1)	(7)	3	8	(75)
China	3.00	(2)	(2)	(14)	(32)	(13)
2Y yields (Δ bps)						
US	1.41	(5)	(12)	(15)	(18)	(110)
UK	0.43	(1)	(1)	(16)	(9)	(35)
Japan	(0.13)	0	(1)	0	8	3
Germany	(0.64)	(1)	(5)	(4)	(1)	(7)
India	6.09	0	(5)	27	58	(88)
China	2.23	(7)	(5)	(42)	(44)	(18)
Currencies (Δ %)						
EUR	1.1010	(0.1)	(0.7)	(1.7)	(1.3)	(4.1)
GBP	1.3021	(0.1)	(0.9)	(0.7)	0.9	(0.7)
JPY	109.02	0.1	0.7	(0.1)	(0.2)	0
AUD	0.6754	(0.1)	(1.3)	(3.4)	(2.2)	(6.8)
INR	71.25	0.1	(0.1)	0.1	(0.5)	(0.2)
CNY	6.9426	(0.5)	(0.5)	0.6	1.6	(3.4)
Equity & Other indices (Δ %)						
Dow	28,734	0	(1.5)	1.0	5.7	14.9
FTSE	7,484	0	(1.2)	(1.4)	2.1	7.8
DAX	13,345	0.2	(1.3)	0.7	3.4	19.3
NIKKEI	23,379	0.7	(2.7)	(1.2)	2.3	13.7
Shanghai Comp	2,977	(2.8)	(2.8)	(2.1)	1.3	15.6
SENSEX	41,199	0.6	0.2	(0.9)	2.9	15.8
Brent (US\$/bbl)	59.81	0.5	(5.4)	(12.6)	(1.3)	(3.0)
Gold (US\$/oz)	1,577	0.6	1.2	4.1	5.4	19.5
CRB Index	406.0	0	(1.1)	0.9	3.8	(1.9)
Rogers Agri Index	746.0	(0.4)	(2.2)	(1.7)	2.2	(4.2)
LIBOR (3M)*	1.77	(1)	(4)	(14)	(14)	(97)
INR 5Y Swap*	6.72	4	(3)	(2)	19	(49)
India FII data (US\$ mn)						
	28 Jan	27 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(171.6)	(24.2)	(195.8)	(1,638.0)	(1,638.0)	1,306.2
FII-Equity	(110.2)	(24.4)	(134.6)	2,099.6	2,099.6	9,488.8

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

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