

MACRO DAILY

31 October 2019

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 308bn and stood at Rs 22tn for the week ending 25 Oct 2019. Reserve money rose by 15.3% on a YoY basis, compared with 17.4% a year ago. On a FYTD basis, reserve money increased by 3.8% as against 3.1% last year.
- China's official manufacturing PMI fell again in Oct'19 to 49.3 from 49.8 in Sep'19. The 6th consecutive month of contraction in activity was led by decline in new export orders (47 from 48.2 in Sep'19). Employment growth also remained weak (47.3). As domestic demand weakens further, non-manufacturing PMI too eased in Oct'19 to 52.8 from 53.7 in Sep'19 to its lowest since Feb'16. This has raised hopes of policy rate cut by PBOC.
- US fed has cut policy rate for the 3rd time in CYTD19, by another 25bps (1.5-1.75%) on the back of benign growth outlook. However, regarding the future course of action FOMC members sounded less dovish and more data dependent. Other central banks- Hong Kong and Brazil, have also reduced policy rates by 25bps and 50bps respectively, to boost growth.

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Markets

- **Bonds:** Except China, global yields closed lower supported by Fed's decision. US 10Y yield fell the most by 7bps (1.77%) and yield curve also flattened with difference between 10Y and 2Y yield reducing to 17bps from 20bps earlier. Oil prices fell by (-) 1.6% (US\$ 61/bbl) due to build-up in US inventory. India's 10Y fell by 2bps (6.67%) and is trading at 6.66% today.
- **Currency:** Barring INR (-0.1%) and JPY (flat), other global currencies closed higher. DXY closed unchanged as US Fed cut interest rates and signaled a pause. Delay in US-China trade deal also impacted investor sentiments. In line with other Asian currencies, INR is trading higher today.
- **Equity:** Global indices closed mixed as investors remained cautious about the US-China trade deal. However, Dow (0.4%) and FTSE (0.3%) gained driven by Fed's rate cut decision. Sensex too surged by 0.6% led by better than expected Q2 results, with power and capital goods stocks gaining the most. It is trading higher 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	1.77	(7)	1	11	(24)	(137)
UK	0.69	(2)	0	20	8	(75)
Japan	(0.11)	(1)	3	10	4	(24)
Germany	(0.35)	0	4	22	9	(74)
India^	6.67	(2)	(2)	(3)	30	(118)
China	3.32	1	11	18	16	(22)
2Y yields (Δ bps)						
US	1.60	(4)	2	(2)	(27)	(127)
UK	0.52	(2)	(1)	15	8	(23)
Japan	(0.21)	(1)	3	10	(1)	(9)
Germany	(0.63)	0	2	13	15	(2)
India	5.51	(3)	(3)	(27)	(51)	(206)
China#	2.67	4	8	11	9	(17)
Currencies (Δ %)						
EUR	1.1151	0.4	0.2	2.3	0.7	(1.4)
GBP	1.2902	0.3	(0.1)	5.0	6.1	1.1
JPY	108.85	0	(0.1)	(0.7)	(0.1)	3.6
AUD	0.6903	0.6	0.7	2.3	0.8	(2.4)
INR	70.90	(0.1)	0	0	(3.0)	4.1
CNY	7.0553	0.1	0.1	1.3	(2.5)	(1.1)
Equity & Other indices (Δ %)						
Dow	27,187	0.4	1.3	1.0	1.2	8.2
FTSE	7,331	0.3	1.0	(1.0)	(3.4)	2.8
DAX	12,910	(0.2)	0.9	3.9	5.9	12.8
NIKKEI	22,843	(0.6)	1.0	5.0	6.1	4.2
Shanghai Comp	2,939	(0.5)	(0.1)	1.2	0.2	12.9
SENSEX	40,052	0.6	2.5	3.6	6.9	16.3
Brent (US\$/bbl)	60.61	(1.6)	(0.9)	(0.3)	(7.0)	(19.7)
Gold (US\$/oz)	1,496	0.5	0.2	1.6	5.8	23.1
CRB Index	391.0	(0.1)	(0.2)	0.9	(3.0)	(6.0)
Rogers Agri Index	730.0	0.5	0.3	2.5	1.3	(5.3)
LIBOR (3M)*	1.93	(1)	(1)	(16)	(34)	(63)
INR 5Y Swap*	6.53	0	(10)	15	(5)	(119)
India FII data (US\$ mn)						
	29 Oct	25 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	285.3	202.2	285.3	496.9	4,470.3	3,925.6
FII-Equity	214.8	(57.5)	214.8	711.3	8,872.0	2,026.8

Source: Bloomberg, Bank of Baroda | ^7.26% GS 2029 | *Indicates change in bps | #1Y yield

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