

MACRO DAILY

03 December 2019

Macro developments

- India's manufacturing PMI rose marginally to 51.2 in Nov'19 from a 2-year low of 50.6 in Oct'19 on the back of improved business conditions. However, the overall reading remained subdued as both new orders and sales increased a modest pace. In addition, employment fell for the first time since Mar'18 adding to the growing concerns.
- Reserve Bank of Australia kept its policy rate unchanged at 0.75%. However, the board hinted at further easing to support growth as the outlook still remains on the downside. Inflation is expected to be close to 2% in CY20 & CY21 (target 2-3%); growth might pick up to 3% in CY21.
- Global manufacturing PMIs for Nov'19 confirm that activity improved marginally in the Eurozone (46.9 vs 45.9) and Japan (48.9 vs 48.4), while it deteriorated further in UK (48.9 vs 49.6) and US (ISM: 48.1 vs 48.3). In Eurozone and Japan contraction in new orders eased, however, Japan continues to face aggressive downward pressure in export order growth. US witnessed decline in new orders (incl export orders) and inventories.

Jahnvi | Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed higher. Trade war fears re-emerged as US President reinstated tariffs on steel and aluminium imports from Brazil and Argentina. US 10Y yield rose by 4bps (1.82%) over dismal manufacturing print. Germany's 10Y yield rose by 8bps (highest in 3 months) amidst political turmoil. Oil prices fell by (-) 2.4% (US\$ 61/bbl). India's 10Y yield rose by 2bps (6.49%) over fiscal concerns. It is trading flat today.
- Currency:** Barring CNY, other global currencies closed higher against the dollar. DXY fell by (-) 0.4% as US ISM manufacturing index fell for the 4th straight month. On the other hand, EUR rose by 0.6% as manufacturing PMI's rose more than expected. INR rose by 0.1% as oil prices fell. It is trading flat today while other Asian currencies are trading mixed.
- Equity:** Except Asian markets, global indices ended lower led by negative developments over US-china trade deal and weaker manufacturing PMI in US. Dax (-2.1%) dropped the most followed by Dow (-1%) and FTSE (-0.8%). Sensex 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	1.82	4	6	11	32	(115)
UK	0.74	4	4	8	32	(57)
Japan	(0.05)	3	3	13	22	(13)
Germany	(0.28)	8	7	10	42	(59)
India	6.49	2	2	4	(3)	(114)
China	3.21	4	2	(6)	13	(17)
2Y yields (Δ bps)						
US	1.60	(1)	(1)	5	10	(122)
UK	0.55	1	3	3	22	(18)
Japan	(0.16)	1	3	11	14	(3)
Germany	(0.61)	1	1	4	32	(1)
India	5.34	0	(8)	(15)	(33)	(189)
China#	2.63	0	0	(5)	5	13
Currencies (Δ %)						
EUR	1.1079	0.6	0.6	(0.8)	1.0	(2.4)
GBP	1.2939	0.1	0.3	(0.1)	7.2	1.7
JPY	108.98	0.5	(0.0)	(0.7)	(2.6)	4.1
AUD	0.6819	0.8	0.6	(1.2)	1.5	(7.3)
INR	71.66	0.1	0.1	(1.2)	1.0	(1.7)
CNY	7.0393	(0.1)	0	0	1.9	(2.3)
Equity & Other indices (Δ %)						
Dow	27,783	-1.0	(1.0)	1.6	6.4	7.6
FTSE	7,286	(0.8)	(1.5)	(0.2)	0.1	3.2
DAX	12,965	(2.1)	(2.1)	0	8.5	13.1
NIKKEI	23,530	1.0	1.0	3.0	14.1	4.2
Shanghai Comp	2,876	0.1	(1.0)	(2.8)	(1.7)	8.3
SENSEX	40,802	0	(0.2)	1.6	11.6	12.6
Brent (US\$/bbl)	60.92	(2.4)	(4.3)	(1.2)	3.9	(1.2)
Gold (US\$/oz)	1,462	(0.1)	0.5	(3.4)	(4.4)	18.8
CRB Index	386.0	(0.1)	(0.4)	(1.0)	(0.1)	(7.7)
Rogers Agri Index	724.5	(0.6)	(0.8)	(1.0)	7.0	(7.2)
LIBOR (3M)*	1.91	0	(1)	2	(23)	(85)
INR 5Y Swap*	6.39	4	(1)	(12)	23	(120)
India FII data (US\$ mn)						
	29 Nov	28 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	26.6	(260.8)	(384.3)	(442.1)	4,244.8	3,700.1
FII-Equity	(104.7)	227.6	883.2	3,149.6	13,372.4	6,527.2

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