

## MACRO DAILY

03 January 2020

### Macro developments

- India's manufacturing PMI rose to a 7-month high of 52.7 in Dec'19 from 51.2 in Nov'19, signalling a possible recovery. This was attributed to new orders rising at its fastest pace since Jul'19 which in turn resulted in higher production and a jump in job creation. Overall, manufacturing output improved at its fastest level in over 10-months.
- Manufacturing PMIs for Dec'19 indicate while activity continued to decline in UK (47.5 vs 49.1 in Nov'19) and Eurozone (46.3 vs 46.9), it maintained pace in the US (52.4 vs 52.6). Rise in new business, production and employment helped the US manufacturing sector, however future business expectations remained subdued. On the other hand, new orders and production fell steeply in Eurozone and UK. Input prices rose across regions, with UK and US passing the increase in output prices as well.
- US jobless claims for the week ended 28 Dec fell marginally by 2,000 to 222,000 (est. 225,000) suggesting labour market remains buoyant. However, the 4-week moving average of initial claims rose by 4,750 to its highest since Jan'18 due to increased volatility in the holiday season.

Jahnvi | Sameer Narang

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Global yields broadly closed lower led by softening manufacturing activity globally. US 10Y yield fell by 4bps (1.88%). Oil prices rose by 0.4% (US\$ 66/bbl) amidst tensions in the Middle East. India's 10Y yield closed stable at 6.5% and is trading at same level today, supported by another Rs 100bn of simultaneous OMO purchase and sale by RBI.
- Currency:** Except JPY and CNY, other global currencies edged lower. DXY rose by 0.4% as US jobless claims fell more than expected. GBP fell by (-) 0.8% as investors await Brexit negotiations. INR depreciated by (-) 0.2% on the back of higher oil prices. In line with other Asian currencies, it is trading lower today.
- Equity:** Most of the global indices closed higher led by optimism over US-China trade deal. Dow (1.2%) rose the most, followed by Shanghai Comp (1.1%) and FTSE (0.8%). Sensex too ended in green (0.8%) led by uptick in manufacturing PMI. Metal and capital goods stocks advanced the most. 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
<b>10Y yields (Δ bps)</b>						
US	1.88	(4)	(2)	6	34	(68)
UK	0.79	(3)	2	5	32	(40)
Japan	(0.01)	0	0	3	19	(1)
Germany	(0.22)	(4)	2	6	37	(38)
India	6.50	0	(8)	1	(11)	(92)
China	3.14	0	(2)	(7)	0	(1)
<b>2Y yields (Δ bps)</b>						
US	1.57	0	(6)	(3)	18	(81)
UK	0.57	2	1	2	21	(13)
Japan	(0.13)	0	(2)	3	19	1
Germany	(0.60)	0	2	1	18	1
India	5.77	1	(2)	43	13	(105)
China	2.28	(5)	(5)	(35)	(27)	(41)
<b>Currencies (Δ %)</b>						
EUR	1.1172	(0.4)	0.7	0.8	1.9	(1.9)
GBP	1.3145	(0.8)	1.2	1.6	6.6	4.1
JPY	108.57	0.2	1.0	0.4	(1.5)	(0.8)
AUD	0.6993	(0.3)	0.7	2.6	3.7	(0.2)
INR	71.38	(0.2)	(0.1)	0.4	(0.7)	(1.7)
CNY	6.9643	0	0.5	1.1	2.6	(1.3)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,869	1.2	0.9	3.9	10.2	27.3
FTSE	7,604	0.8	(0.4)	4.4	7.4	13.6
DAX	13,386	0.4	0.6	3.2	7.7	28.5
NIKKEI	23,657	(0.8)	(0.7)	1.6	10.8	18.2
Shanghai Comp	3,085	1.1	2.6	7.3	6.2	25.2
SENSEX	41,627	0.8	1.1	2.0	9.2	17.2
Brent (US\$/bbl)	66.25	0.4	(2.5)	8.7	14.8	18.4
Gold (US\$/oz)	1,529	0.8	1.2	4.6	1.6	18.1
CRB Index	402.5	0.2	0.8	4.3	3.5	(2.0)
Rogers Agri Index	760.0	0.2	1.6	4.9	6.6	(0.3)
LIBOR (3M)*	1.91	0	(5)	1	(13)	(89)
INR 5Y Swap*	6.67	2	(5)	28	36	(53)
<b>India FII data (US\$ mn)</b>						
	<b>1 Jan</b>	<b>31 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(0.2)	(76.2)	240.1	(0.2)	(0.2)	2,943.9
FII-Equity	50.3	(276.7)	251.0	50.3	50.3	7,439.5

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps |

## 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.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### Economics Research Department

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)