

## MACRO DAILY

04 December 2019

### Macro developments

- ISMA data showed sugar production has fallen by 54% to 1.89mn tonnes as on Nov'19 (4.07mn tonnes as on Nov'18). Earlier, estimate of sugar production for 2019-20 was revised downward to 2.69mn tonnes (3.3mn tonnes earlier) due to excess rainfall. Further, as per news reports exports will be lower at 3.5mn tonnes (targeted 6mn tonnes), which might contain the demand-supply balance. Currently, FRP is at Rs 275/quintal.
- Japan's services PMI eased in Nov'19 to 50.3 from 50.4 in Oct'19 owing to restoration work post the typhoon and sluggish demand conditions. New orders increased marginally, while new export orders remained unchanged. In China, Markit PMI index rose to 53.5 in Nov'19 (7-month high) from 51.1 in Oct'19 led by gains in new orders and new export orders.
- Australia's GDP growth decelerated to 0.4% in Q3CY19 on a QoQ basis, from 0.6% in Q2 (est; 0.5%). Despite tax cuts, PFCE rose by 0.1% in Q3CY19, slowest pace since Q1CY09. Government spending was the main driver of growth even as business investment and construction output declined. Thus, RBA may cut rates by 25bps in Feb'20 to support growth.

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### Markets

- Bonds:** Except Japan, global yields closed lower over anticipation of further delay in US-China trade deal. US 10Y yield fell by 10bps (1.72%) over US house passing the Xinjiang Bill. Oil prices fell by (-) 0.2% (US\$ 61/bbl). India's 10Y yield fell by 2bps (6.47%) on expectation of rate cut and a dovish guidance from RBI. It is trading lower at 6.46% today.
- Currency:** Except CNY, other major global currencies closed higher. DXY fell by (-) 0.1% on growth concerns after US manufacturing activity fell in Nov'19. Fresh tariff threats by US President also dented sentiments. INR closed flat. In line with its Asian peers, INR is trading lower today.
- Equity:** Barring Shanghai Comp and Dax, global indices ended lower over news of a possible delay in US-China trade deal. FTSE (-1.7%) dropped the most followed by Dow (-1%) and Nikkei (-0.6%). Sensex too ended in red (-0.3%) dragged down by metal and power stocks. 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	1.72	(10)	(3)	1	26	(120)
UK	0.67	(7)	2	1	26	(61)
Japan	(0.02)	2	7	15	26	(10)
Germany	(0.35)	(7)	2	3	36	(61)
India	6.47	(2)	(1)	2	(5)	(110)
China	3.20	(1)	1	(7)	13	(14)
<b>2Y yields (Δ bps)</b>						
US	1.54	(6)	(4)	(1)	9	(126)
UK	0.50	(5)	1	(2)	17	(23)
Japan	(0.15)	1	3	11	14	(2)
Germany	(0.63)	(2)	0	2	28	(2)
India	5.36	1	(5)	(13)	(32)	(185)
China	2.63	(1)	(1)	(5)	4	13
<b>Currencies (Δ %)</b>						
EUR	1.1082	0	0.6	(0.8)	1.0	(2.3)
GBP	1.2995	0.4	1.0	0.4	7.6	2.2
JPY	108.63	0.3	0.4	(0.4)	(2.5)	3.7
AUD	0.6847	0.4	0.9	(0.8)	1.3	(6.7)
INR	71.67	0	(0.2)	(1.2)	1.0	(1.7)
CNY	7.0613	(0.3)	(0.4)	(0.3)	1.6	(3.3)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,503	(1.0)	(2.2)	0.6	5.3	9.9
FTSE	7,159	(1.7)	(3.3)	(2.0)	(1.5)	1.9
DAX	12,989	0.2	(1.9)	0.2	9.1	14.6
NIKKEI	23,380	(0.6)	0	2.3	13.4	6.1
Shanghai Comp	2,885	0.3	(0.8)	(2.5)	(1.6)	8.2
SENSEX	40,675	(0.3)	(0.4)	1.3	11.2	12.6
Brent (US\$/bbl)	60.82	(0.2)	(5.4)	(1.4)	4.4	(2.0)
Gold (US\$/oz)	1,478	1.0	1.1	(2.4)	(4.5)	19.3
CRB Index	385.6	(0.1)	(0.3)	(1.1)	(0.2)	(7.9)
Rogers Agri Index	722.8	(0.2)	(0.5)	(1.2)	6.8	(7.4)
LIBOR (3M)*	1.90	(1)	(2)	1	(23)	(84)
INR 5Y Swap*	6.34	(5)	(6)	(17)	28	(118)
<b>India FII data (US\$ mn)</b>						
	<b>2 Dec</b>	<b>29 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	4.1	26.6	4.1	4.1	4,248.9	3,704.2
FII-Equity	(201.9)	(104.7)	(201.9)	(201.9)	13,170.5	6,325.3

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

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