

MACRO DAILY

04 December 2019

Macro developments

- India's services PMI jumped to 52.7 in Nov'19 from 49.2 in Oct'19. The first expansion in 3 months was driven by consumer, I&C, real estate and business services. In Nov'19, domestic new orders increased marginally; new export order growth remained robust. Input prices too rose sharply, while final prices increased only a tad, thereby pressurizing profit margins.
- In an effort to deepen corporate bond market and promote retail investors access, Cabinet has approved the first corporate bond ETF - Bharat Bond, comprising debt of state run companies. All CPSEs, CPSUs and CPFIs will be the issuer of this bond, which will initially be AAA rated. So far, government has allowed only equity ETFs raising nearly Rs 144bn in FY20.
- Services activity in the Eurozone remained modest with PMI reading at 51.9 in Nov'19 vs 52.2 in Oct'19. This was driven by muted increase in new orders especially undermined by fall in services exports. Elsewhere, non-manufacturing activity in the US was at 53.9, lower than 54.7 in Oct'19, driven by fall in overall business activity. However, employment remained robust both in the Eurozone and US and price pressure was also visible.

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Markets

- Bonds:** Global yields closed mixed led by positive developments over US-China trade deal and weaker services PMI print. While US 10Y yield rose by 6bps (1.7%) Japan's 10Y yield fell by 2bps. Oil prices rose by 3.6% (US\$ 63/bbl) awaiting OPEC+ meeting outcome. India's 10Y yield remained flat (6.47%). It is trading lower at 6.45% today on expectation of rate cut.
- Currency:** Major global currencies closed mixed. DXY fell by (-) 0.1% as US services PMI missed estimates. GBP rose by 0.8% on expectations of a majority for British PM in the upcoming elections. INR rose by 0.2%. It is trading flat today, while other Asian currencies are trading higher.
- Equity:** Barring Nikkei and Shanghai Comp, global indices ended higher as investors tracked progress in US-China trade deal. Dax (1.2%) surged the most followed by Dow (0.5%). Sensex recovered (0.4%) and ended in green supported by DII inflow of Rs 9bn. It is trading higher on hopes of rate cut 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	6	1	6	31	(114)
UK	0.74	7	7	8	25	(57)
Japan	(0.04)	(2)	7	14	24	(10)
Germany	(0.32)	3	6	7	36	(59)
India	6.47	0	(1)	2	(8)	(97)
China	3.20	0	1	(8)	15	(12)
2Y yields (Δ bps)						
US	1.57	3	(5)	2	14	(122)
UK	0.58	8	6	6	22	(18)
Japan	(0.16)	0	4	11	14	(2)
Germany	(0.63)	1	1	3	26	(2)
India	5.37	1	0	(12)	(30)	(175)
China	2.61	(2)	(2)	(7)	3	11
Currencies (Δ %)						
EUR	1.1078	0	0.7	(0.8)	0.4	(2.3)
GBP	1.3104	0.8	1.4	1.2	6.9	2.9
JPY	108.86	(0.2)	0.6	(0.6)	(2.3)	3.8
AUD	0.6849	0	1.1	(0.8)	0.8	(5.8)
INR	71.53	0.2	(0.2)	(1.0)	0.8	(1.5)
CNY	7.0499	0.2	(0.3)	(0.2)	1.3	(2.8)
Equity & Other indices (Δ %)						
Dow	27,650	0.5	(1.8)	1.1	4.9	10.5
FTSE	7,189	0.4	(3.2)	(1.6)	(1.7)	3.9
DAX	13,141	1.2	(1.1)	1.4	9.3	17.3
NIKKEI	23,135	(1.0)	(1.3)	1.2	12.0	5.5
Shanghai Comp	2,878	(0.2)	(0.9)	(2.7)	(2.7)	8.6
SENSEX	40,850	0.4	(0.4)	1.7	11.2	13.8
Brent (US\$/bbl)	63.00	3.6	(1.7)	2.1	3.8	2.3
Gold (US\$/oz)	1,475	(0.2)	1.4	(2.6)	(5.0)	19.2
CRB Index	386.7	0.3	(0.1)	(0.8)	(0.2)	(7.3)
Rogers Agri Index	723.0	0	(0.2)	(1.2)	6.4	(7.4)
LIBOR (3M)*	1.89	(1)	(2)	0	(22)	(87)
INR 5Y Swap*	6.31	(3)	(10)	(20)	25	(105)
India FII data (US\$ mn)						
	3 Dec	2 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	167.7	4.1	171.8	171.8	4,416.6	3,871.9
FII-Equity	(14.4)	(201.9)	(216.2)	(216.2)	13,156.2	6,311.0

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

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