

## MACRO DAILY

05 November 2019

### Macro developments

- India has decided to not join RCEP citing concerns over India's economic interests particularly for farmers, MSMEs and consumers. India had raised concerns over rules of origin, trade deficit, protection against cheaper imports and better market access for exports. A total of 15 countries, including 10 ASEAN members along with China, S.Korea, Japan, NZ and Australia agreed to sign the agreement next year.
- China's PBOC has reduced its medium-term lending facility (MLF) rate by 5bps, a first since CY16, to 3.25% from 3.3% earlier. The rate cut comes in the wake of slowing growth and tight liquidity conditions. Since the new Loan Prime Rate (LPR) is now linked to MLF, the overall lending rates are also expected to come down from 20 Nov 2019 onwards. Analysts are expecting one more 5bps cut in MLF and RRR in CY20.
- US durable goods orders fell by (-) 0.6% in Sep'19 vs advanced estimate of (-) 1.1% and (-) 0.1% in Aug'19 on a MoM basis. The sharper monthly decline was led by transportation equipment, computer and electronic products and machinery used in mining and oil fields. Core orders too declined in Sep'19 by (-) 0.6% vs advance estimate of (-) 0.5%.

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### Markets

- Bonds:** Global yields closed higher as US and China reached a possible consensus on the trade deal. US and UK 10Y yield rose by 7bps and 6bps respectively. Oil prices rose by 0.7% (US\$ 62/bbl). India's 10Y yield rose by 3bps (6.69%) due to selling by both foreign and private banks. It is trading flat today.
- Currency:** Except CNY and INR, other global currencies closed lower. DXY rose by 0.3% on rising hopes of finalisation of US-China trade deal. INR rose by 0.1% supported by FII inflows. It is however trading lower today, while other Asian currencies are trading mixed.
- Equity:** Global indices ended higher as investors' confidence remained buoyant led by renewed optimism surrounding US-China trade deal. As a result, Dow touched a record high (0.4%). Sensex too reached an all-time high tracking gains from global markets with IT and metal 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
<b>10Y yields (Δ bps)</b>						
US	1.78	7	(6)	25	7	(142)
UK	0.73	6	0	28	21	(78)
Japan	(0.18)	0	(5)	4	2	(30)
Germany	(0.35)	3	(2)	24	17	(78)
India^	6.69	3	0	0	30	(112)
China	3.30	2	0	19	23	(24)
<b>2Y yields (Δ bps)</b>						
US	1.58	3	(6)	18	1	(133)
UK	0.55	3	0	20	11	(26)
Japan	(0.26)	0	(6)	7	(5)	(14)
Germany	(0.65)	1	0	13	16	(4)
India	5.52	3	(2)	(12)	(44)	(201)
China#	2.66	(2)	4	9	14	(12)
<b>Currencies (Δ %)</b>						
EUR	1.1128	(0.3)	0.3	1.4	(0.7)	(2.4)
GBP	1.2884	(0.5)	0.2	4.5	6.1	(1.2)
JPY	108.58	(0.4)	0.3	(1.5)	(2.5)	4.1
AUD	0.6884	(0.3)	0.7	1.7	1.9	(4.5)
INR	70.76	0.1	0.1	0.2	0	3.2
CNY	7.0304	0.1	0.5	1.6	0.3	(1.5)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,462	0.4	1.4	3.3	6.8	7.9
FTSE	7,370	0.9	0.5	3.0	2.0	3.7
DAX	13,136	1.4	1.5	9.4	12.7	14.3
NIKKEI	22,851	(0.3)	(0.1)	6.7	10.3	4.3
Shanghai Comp	2,975	0.6	(0.2)	2.1	5.5	11.6
SENSEX	40,302	0.3	1.2	7.0	9.8	15.3
Brent (US\$/bbl)	62.13	0.7	0.9	6.4	3.9	(15.1)
Gold (US\$/oz)	1,510	(0.3)	1.2	0.3	3.2	22.6
CRB Index	390.5	0.2	(0.1)	0.5	(2.2)	(6.8)
Rogers Agri Index	730.0	(0.4)	0.5	2.5	3.0	(6.9)
LIBOR (3M)*	1.89	(1)	(4)	(14)	(32)	(70)
INR 5Y Swap*	6.57	7	6	26	2	(116)
<b>India FII data (US\$ mn)</b>						
	<b>1 Nov</b>	<b>31 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	233.6	149.2	735.4	233.6	4,920.4	4,375.8
FII-Equity	255.0	281.0	1,820.6	255.0	10,477.7	3,632.5

Source: Bloomberg, Bank of Baroda | ^7.26% GS 2029 | \*Indicates change in bps | #1Y yield | Markets in Japan were closed on 5 Nov 2019

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