

MACRO DAILY

07 January 2020

Macro developments

- India's services PMI rose to 53.3 in Dec'19 (5-month high) from 52.7 in Nov'19. The jump was supported by new international business which in turn led to increased employment. Input prices also rose which were translated into higher output prices, with steepest rise seen in transport & storage firms. Segment-wise, consumer service growth outperformed.
- Services activity globally remained mixed. While it improved in the US (52.8 vs 51.6 in Nov'19) and Eurozone (52.8 vs 51.9 in Nov'19); moderation was seen in China (52.5 vs 53.5 in Nov'19) and Japan (49.4 vs 50.3 in Nov'19). Except China, employment in the service sector remained buoyant. Input cost inflation also firmed up in Dec'19 (except China).
- Germany's retail sales rose by 2.1% in Nov'19 (est.: 1%) vs (-) 1.9% in Oct'19. On an annualised basis, it rose by 3.1% in nominal terms. Separately, Euro Area PPI continued to decline albeit at a slower pace by (-) 1.4% in Nov'19 vs (-) 1.9% in Oct'19. This was led by energy inflation decelerating by (-) 6.1% in Nov'19 (-7.7% in Oct'19) and inching up of non-durable consumer goods to 1.7% vs 1.5% in Oct'19.

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Markets

- Bonds:** Global yields closed mixed amidst tensions between US and Iran. US 10Y yield rose by 2bps (1.81%) supported by better services PMI print in Dec'19. Oil prices rose by 0.5% (US\$ 69/bbl) due to supply concerns. India's 10Y yield rose by 6bps (6.57%) on account of low cut-off prices at RBI's OMO purchase auction. It is trading lower at 6.54% today.
- Currency:** Except EUR and GBP, global currencies closed lower on the back of heightened tensions between US and Iran. DXY fell by (-) 0.2%. GBP rose by 0.7% as the British parliament is set to meet next week to discuss Brexit deal. INR depreciated by (-) 0.2%. In line with other Asian currencies it is trading higher today.
- Equity:** Barring Dow and Shanghai Comp (flat), global indices closed lower led by escalated tensions in the Middle East. Both Nikkei and Sensex dropped by (-) 1.9% each. Even European indices ended in red. The drop in Sensex was led by metal and realty stocks. However, it is trading higher today; while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.81	2	(7)	(3)	25	(89)
UK	0.77	3	(10)	(0)	32	(49)
Japan	(0.02)	(1)	(1)	(1)	20	(1)
Germany	(0.29)	(1)	(10)	0	29	(51)
India	6.57	6	2	(10)	(11)	(107)
China	3.13	(1)	(1)	(7)	(1)	(4)
2Y yields (Δ bps)						
US	1.54	2	(2)	(7)	8	(100)
UK	0.59	4	0	0	25	(17)
Japan	(0.15)	(2)	(2)	(1)	18	2
Germany	(0.63)	(1)	(2)	0	15	(4)
India#	5.77	2	(5)	4	(44)	(129)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1197	0.3	0	1.2	2.1	(2.4)
GBP	1.3171	0.7	0.4	0.2	7.1	3.1
JPY	108.37	(0.3)	0.5	0.2	(1.0)	0.3
AUD	0.6940	(0.1)	(0.8)	1.4	3.1	(2.9)
INR	71.94	(0.2)	(0.9)	(1.0)	(1.3)	(3.2)
CNY	6.9760	(0.1)	0.2	0.8	2.4	(1.8)
Equity & Other indices (Δ %)						
Dow	28,703	0.2	0.8	2.5	8.4	22.0
FTSE	7,575	(0.6)	(0.2)	4.6	5.2	11.2
DAX	13,127	(0.7)	(0.9)	(0.3)	8.5	22.1
NIKKEI	23,205	(1.9)	(1.9)	(0.6)	8.6	15.8
Shanghai Comp	3,083	0	1.4	5.9	6.1	21.7
SENSEX	40,677	(1.9)	(2.1)	0.6	8.4	13.5
Brent (US\$/bbl)	68.91	0.5	0.7	7.0	18.1	20.2
Gold (US\$/oz)	1,566	0.9	3.3	7.2	4.8	21.4
CRB Index	401.0	0	(0.3)	2.7	4.2	(3.0)
Rogers Agri Index	754.7	0.1	(0.6)	3.7	6.2	(2.2)
LIBOR (3M)*	1.87	(3)	(4)	(2)	(14)	(92)
INR 5Y Swap*	6.66	3	(8)	16	37	(57)
India FII data (US\$ mn)						
	2 Jan	1 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(181.2)	(189.1)	(603.6)	(370.5)	(370.5)	2,573.7
FII-Equity	181.6	152.5	146.8	384.5	384.5	7,773.7

Source: Bloomberg, Bank of Baroda | *#6.17 GS 2021 | *Indicates change in bps

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