

## MACRO DAILY

07 November 2019

### Macro developments

- Government has approved Rs 250bn special window as a Category-2 Alternate Investment Fund (AIF) to boost real estate sector. Out of this, Rs 100bn will be provided by the government and remaining will be raised from LIC, SBI, sovereign wealth and pension funds. Any RERA registered project with positive net worth will be eligible for this fund, irrespective of stage of completion. Around 1,600 projects will be covered.
- RBI reported that currency in circulation (CIC) increased by Rs 5.8bn and stood at Rs 22tn for the week ending 1 Nov 2019. Reserve money rose by 13.5% on a YoY basis, compared with 17.3% a year ago. On a FYTD basis, reserve money increased by 3.5% as against 4.4% last year.
- In line with market expectations, Bank of Thailand reduced policy rates for the 2nd time in CYTD19 by 25bps, to 1.25%-lowest since crisis of CY09. In addition, to ease appreciation pressure on Thai Baht, BoT has relaxed capital outflow norms. Baht has appreciated over 3% in CYTD19. Analysts expect no more rate cuts from BoT in the near-term.

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### Markets

- Bonds:** Except Japan and China, global yields closed lower as investors monitored trade progress. US 10Y yield fell by 3bps (1.83%) as Chicago Fed President said that future rate decision will be contingent on inflation trajectory. UK 10Y yield fell by 6bps ahead of BoE meeting. Oil prices fell by (-) 1.9% (US\$ 62/bbl) amidst rising US inventories. India's 10Y yield fell by 3bps (6.69%) due to buying from FPIs. It is trading flat today.
- Currency:** Developments around US-China trade deal continue to impact global currencies. While CNY rose to a 3-month high, DXY closed flat as investors seek clarity on when the deal will be signed. EUR fell by (-) 0.1% even as German industrial orders rose more than expected in Sep'19. In line with other Asian currencies, INR opened lower today.
- Equity:** Barring Shanghai Comp, global indices ended higher as investors continue to track developments in the US-China trade deal. Sensex too ended in green (0.6%), pushed up by real estate and banking stocks. It is trading higher today after announcement of Rs 250bn special package to boost the real estate sector. Asian stocks are trading mixed.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.83	(3)	6	30	9	(141)
UK	0.72	(6)	3	27	23	(82)
Japan	(0.08)	4	3	13	11	(20)
Germany	(0.33)	(2)	2	25	25	(78)
India <sup>^</sup>	6.69	(3)	2	0	32	(111)
China	3.26	1	(6)	12	21	(25)
<b>2Y yields (Δ bps)</b>						
US	1.61	(2)	1	21	0	(135)
UK	0.54	(5)	2	19	8	(28)
Japan	(0.19)	5	3	14	4	(6)
Germany	(0.64)	0	0	14	22	(5)
India	5.51	(1)	0	(13)	(37)	(197)
China <sup>#</sup>	2.65	0	(2)	9	13	(11)
<b>Currencies (Δ %)</b>						
EUR	1.1066	(0.1)	(0.8)	0.8	(1.2)	(3.2)
GBP	1.2855	(0.2)	(0.4)	4.2	5.9	(2.1)
JPY	108.98	0.2	(0.1)	(1.9)	(2.6)	4.0
AUD	0.6884	(0.1)	(0.3)	1.7	1.9	(5.4)
INR	70.99	(0.4)	(0.1)	(0.2)	(0.1)	2.7
CNY	6.9981	0.2	0.8	2.1	0.9	(1.1)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,493	0	1.1	3.5	5.7	5.0
FTSE	7,397	0.1	0.9	3.4	2.7	3.9
DAX	13,180	0.2	2.1	9.7	13.1	13.8
NIKKEI	23,304	0.2	2.0	8.8	13.6	5.5
Shanghai Comp	2,979	(0.4)	1.3	2.5	7.6	12.8
SENSEX	40,470	0.6	1.0	7.4	10.3	14.8
Brent (US\$/bbl)	61.74	(1.9)	1.9	5.8	9.8	(14.3)
Gold (US\$/oz)	1,491	0.5	(0.3)	(0.9)	(0.7)	21.5
CRB Index	388.9	(0.5)	(0.6)	0.1	(1.8)	(6.8)
Rogers Agri Index	729.1	(0.3)	(0.1)	2.4	3.4	(6.8)
LIBOR (3M)*	1.89	(1)	(2)	(13)	(29)	(71)
INR 5Y Swap*	6.55	0	2	23	17	(125)
<b>India FII data (US\$ mn)</b>						
	<b>5 Nov</b>	<b>4 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	31.4	146.8	178.2	411.8	5,098.6	4,554.0
FII-Equity	56.4	11.5	67.9	322.8	10,545.6	3,700.4

Source: Bloomberg, Bank of Baroda | <sup>^</sup>7.26% GS 2029 | \*Indicates change in bps | #1Y yield

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