

MACRO DAILY

08 January 2020

Macro developments

- India's GDP growth in FY20 is estimated at 5% vs 6.8% in FY19, due to sharp deceleration in investment (1% vs 10%) and PFCE (5.8% vs 8.1%). GVA growth is expected to ease to 4.9% in FY20 from 6.6%, led by tepid manufacturing sector growth (2% vs 6.9%). However, with government's aggressive privatisation roadmap, infra pipeline and transmission of earlier rate cuts, we expect GDP growth to revive to 5.7% in FY21.
- Japan's services PMI moved into contraction in Dec'19 at 49.4 (lowest since Sep'16), vs 50.3 in Nov'19. This was on the back of decline in new orders due to weaker domestic and foreign demand. Composite PMI declined for the third straight month to 48.6 from 49.8 in Nov'19, raising the likelihood that GDP growth contracted in Q4CY19.
- US ISM non-manufacturing index for Dec'19 came in at 55 vs 53.9 in Nov'19. While business activity index jumped to 57.2 in Dec'19, new order growth eased marginally (54.9 vs 57.1 in Nov'19). Separately, US factory orders fell by (-) 0.7% on MoM basis in Nov'19 vs +0.2% in Oct'19. Manufacturing orders slipped by (-) 2.1% vs +0.2%.

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Markets

- Bonds:** Global yields closed mixed due to mixed macro signals globally (better non-manufacturing ISM print and falling factory orders in US, better retail sales print in the Euro area). US 10Y yield rose by 1bps (1.82%). Oil prices fell to US\$ 68/bbl (-0.9%), but are trading higher at US\$ 69/bbl today amidst escalating tensions between US and Iran. India's 10Y yield closed lower by 2bps (6.55%) and is trading at 6.56% today.
- Currency:** Except INR and CNY, global currencies closed lower as geo-political tensions remained in focus. DXY rose by 0.3% as US ISM non-manufacturing PMI was better than expected. INR appreciated by 0.2%. However, with escalation in US-Iran tensions and a jump in oil prices, INR opened weaker today. Asian currencies are also subdued.
- Equity:** Barring Dow and FTSE (flat), global indices closed higher despite geo-political tensions in Middle East. Nikkei (1.6%) gained the most, followed by Dax (0.8%). Sensex rose by 0.5% led by real estate and metal stocks. However, 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
10Y yields (Δ bps)						
US	1.82	1	(10)	(2)	29	(91)
UK	0.79	2	(3)	2	38	(48)
Japan	(0.01)	2	1	0	20	(2)
Germany	(0.29)	0	(10)	0	31	(51)
India	6.55	(2)	0	(11)	10	(98)
China	3.14	1	0	(6)	3	0
2Y yields (Δ bps)						
US	1.54	(9)	(3)	(7)	12	(105)
UK	0.60	4	6	1	28	(16)
Japan	(0.12)	0	1	2	20	2
Germany	(0.62)	0	(2)	0	16	(5)
India#	5.74	(3)	(3)	1	10	(127)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1153	(0.4)	(0.5)	0.8	1.8	(2.5)
GBP	1.3126	(0.3)	(1.0)	(0.1)	7.4	3.2
JPY	108.44	(0.1)	0.2	0.1	(1.3)	0.3
AUD	0.6870	(1.0)	(2.2)	0.4	2.1	(3.8)
INR	71.83	0.2	(0.6)	(0.9)	(1.1)	(2.3)
CNY	6.9453	0.4	0.3	1.3	2.8	(1.3)
Equity & Other indices (Δ %)						
Dow	28,584	(0.4)	0.2	2.0	9.2	20.2
FTSE	7,574	0	0.4	4.6	6.0	10.4
DAX	13,227	0.8	(0.2)	0.5	10.5	22.4
NIKKEI	23,576	1.6	(0.3)	0.9	9.2	16.7
Shanghai Comp	3,105	0.7	1.8	6.6	6.6	22.9
SENSEX	40,869	0.5	(0.9)	1.0	7.0	13.6
Brent (US\$/bbl)	68.27	(0.9)	3.4	6.0	17.2	16.3
Gold (US\$/oz)	1,574	0.6	3.8	7.8	4.6	22.5
CRB Index	401.3	0	(0.1)	2.8	4.0	(3.0)
Rogers Agri Index	754.4	0	(0.6)	3.6	5.4	(2.1)
LIBOR (3M)*	1.87	0	(4)	(2)	(14)	(91)
INR 5Y Swap*	6.79	14	7	30	50	(42)
India FII data (US\$ mn)						
	6 Jan	3 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(474.1)	(181.2)	(474.1)	(844.5)	(844.5)	2,099.6
FII-Equity	(2.6)	181.6	(2.6)	381.8	381.8	7,771.0

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

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