


MACRO DAILY

30 November 2018

Macro developments

- In order to address the liquidity crunch faced by NBFCs, RBI has relaxed the regulations to sell or securitise loan books with more than 5 year maturity. The holding period for these assets are now kept at either 6 monthly instalment or 2 quarterly instalment, instead of 1 year. This will be applicable when NBFCs retain 20% of the book value, thereby raising the MRR (minimum retention requirement) from 10% to 20%, ensuring their stake in securitised asset.
- Retail inflation in Germany rose by 2.3% in Nov'18 on a YoY basis vs 2.5% in Oct'18. Despite easing prices, inflation continues to remain above ECB's target since Sep'18. Higher energy prices drove the inflation up, while lower prices of food and services helped inflation cooled off.
- US FOMC minutes pointed out strong likelihood of Dec'18 rate hike. Regarding neutral rates, the outlook remains uncertain. Though current economic projections suggest three more rate hike till Dec'19 concern remain about the timings. Elsewhere, US consumer spending rose to its 7-month high in Oct'18. Jobless claims rose to its 6-month high of 234,000 for the week ending 24 Nov 2018.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed lower. US 10Y yield dipped 3bps after minutes of FOMC signalled that it remains cautious about the future course of rate hikes after an imminent rate hike in Dec'18. Crude prices rose by 1.3% on reports that Russia might join other OPEC members in an effort to cut output. Indian 10Y yield softened by 4bps to close at 7.61%. It was trading slightly higher at 7.62% today ahead of Q2FY19 GDP data release.
- **Currency:** Except GBP which ended lower, other currencies closed higher. DXY ended unchanged ahead of the G20 meet. INR strengthened by 1.1% to close below the 70/\$ mark, led by easing FPI outflows and oil prices. It opened further higher today, in line with other Asian currencies.
- **Equity:** Global indices closed mixed with Dow and Shanghai Comp losing the most and FTSE and Sensex gaining the most. Investors remained cautious ahead of G20 talks and uncertainty over US-China trade deal. However, Fed Chair's statement indicating rates being close to "neutral" provided some support to the markets. In line with Asian markets, Sensex too opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	3.03	(3)	(3)	(9)	17	64
UK	1.37	(1)	(6)	(3)	(9)	3
Japan	0.08	(2)	(2)	(4)	(3)	5
Germany	0.32	(3)	(5)	(5)	(3)	(6)
India	7.61	(4)	(10)	(22)	(32)	58
China	3.38	(2)	(1)	(15)	(23)	(58)
2Y yields (Δ bps)						
US	2.81	0	(1)	(4)	16	105
UK	0.76	1	(1)	4	2	25
Japan	(0.14)	(1)	(0)	(2)	(3)	3
Germany	(0.60)	(1)	(2)	3	0	9
India	7.25	(1)	(5)	(34)	(42)	90
China#	2.50	(2)	(5)	(39)	(35)	(126)
Currencies (Δ %)						
EUR	1.1393	0.2	(0.1)	0.4	(2.4)	(3.8)
GBP	1.2791	(0.3)	(0.7)	0.7	(1.7)	(4.6)
JPY	113.48	0.2	(0.5)	(0.3)	(2.3)	(1.4)
AUD	0.7319	0.2	0.9	3.0	0.8	(3.3)
INR	69.85	1.1	1.2	5.2	1.3	(8.6)
CNY	6.9425	0.2	(0.2)	0.4	(1.4)	(4.9)
Equity & Other indices (Δ %)						
DOW	25,339	(0.1)	3.6	1.9	(2.5)	5.8
FTSE	7,039	0.5	1.1	0.0	(6.3)	(4.8)
DAX	11,298	(0.0)	1.4	0.1	(9.6)	(13.5)
NIKKEI	22,263	0.4	2.8	3.8	(2.7)	(1.5)
Shanghai Comp	2,567	(1.3)	(2.9)	(0.0)	(6.2)	(23.1)
SENSEX	36,170	1.3	3.4	6.7	(6.5)	7.6
Brent (USD/bbl)	59.51	1.3	(4.9)	(21.6)	(23.5)	(5.7)
Gold (USD/oz)	1,224	0.2	(0.4)	0.1	2.0	(4.6)
CRB Index	414.2	0.3	(0.5)	(0.3)	0.8	(3.5)
Rogers Agri Index	770.0	(0.1)	(0.1)	(0.2)	(0.8)	(5.4)
LIBOR (3M)*	2.71	0	3	18	39	123
INR 5Yr Swap*	7.48	(4)	(5)	(21)	5	105
India FII data (US\$ mn)						
	28 Nov	27 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	100.1	(40.3)	(81.4)	943.5	(7,517.7)	(7,763.7)
FII-Equity	161.6	95.4	438.7	720.1	(5,038.0)	(7,163.5)

Source: Bloomberg, Bank of Baroda | #1 year yield is taken, *Indicates change in bps

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com