


MACRO DAILY

13 December 2018

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 181bn (on a weekly basis) and stood at Rs 20tn as on 3 Dec 2018. Overall reserve money grew by 17.3% on a YoY basis compared to 18.1% a year ago. On FYTD basis, reserve money is growing at a slower pace of 5.3% against 14.3% in the previous year.
- US CPI remained flat in Nov'18 in line with expectations, after rising by 0.3% in Oct'18 on a MoM basis. This was attributed to a decline in energy prices (-4.2%) which offset the increase in other indices. However, the Core PCE price index, excluding food and energy rose by 0.2% in Nov'18 unchanged from Oct'18.
- Japan's core machinery orders grew by 7.6% on MoM basis in Oct'18 compared to a decline of (-) 18.3% in Sep'18. However, the pace of expansion was weaker than estimate (10.1%). Manufacturing sector grew by 12.3% against decline of (-) 17.3% in Sep'18. On the other hand, PPI in Japan softened by (-) 0.3% in Nov'18 compared to an increase of 0.3% in Oct'18.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Barring India and China, global yields closed higher. This was driven by hopes of a conclusive US-China trade deal. 10Y UK yields rose by 9bps (1.28%) after UK PM pulled through a no-confidence vote on her leadership. Indian yields declined by 12bps (7.41%) as new RBI governor sounded dovish in the first press briefing. It was trading further lower at 7.38% today on account of lower inflation in Nov'18.
- **Currency:** Except INR, other global currencies ended lower as dollar weakened. DXY closed 0.4% lower after US consumer prices remained unchanged in Nov'18, dimming hopes for further rate hikes in 2019. GBP gained 1.1% as UK PM May won a no-confidence vote against her government. INR depreciated by 0.2%. It was however trading higher today.
- **Equity:** Global equity indices ended in green as hopes of a positive trade deal between US & China resurged and China indicating that it is working to increase its access to foreign companies. Sensex rallied higher after government announced new RBI governor, thus indicating thawing relations between the two. In line with other Asian markets, Sensex opened higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.91	3	0	(27)	(5)	51
UK	1.28	9	(4)	(17)	(21)	6
Japan	0.06	1	(1)	(6)	(6)	1
Germany	0.28	5	0	(12)	(13)	(4)
India	7.41	(12)	(3)	(39)	(72)	23
China	3.29	(2)	(3)	(20)	(39)	(67)
2Y yields (Δ bps)						
US	2.77	1	(2)	(15)	2	95
UK	0.75	6	0	0	(4)	28
Japan	(0.14)	0	0	0	(3)	1
Germany	(0.57)	4	4	4	(2)	17
India	7.04	(9)	(8)	(39)	(94)	66
China#	2.50	(3)	(5)	(39)	(35)	(128)
Currencies (Δ %)						
EUR	1.1369	0.5	0.2	1.3	(2.2)	(3.2)
GBP	1.2629	1.1	(0.8)	(1.7)	(3.2)	(5.2)
JPY	113.29	0.1	(0.1)	0.5	(1.8)	0.2
AUD	0.7220	0.2	(0.7)	0.7	0.7	(4.5)
INR	72.02	(0.2)	(2.2)	1.2	0.2	(11.8)
CNY	6.8800	0.3	(0.3)	1.2	(0.4)	(3.9)
Equity & Other indices (Δ %)						
DOW	24,527	0.6	(1.7)	(3.4)	(5.7)	0.1
FTSE	6,880	1.1	(0.6)	(2.5)	(5.9)	(8.3)
DAX	10,929	1.4	(2.4)	(3.5)	(9.2)	(17.1)
NIKKEI	21,603	2.2	(1.4)	(3.0)	(4.4)	(5.5)
Shanghai Comp	2,602	0.3	(1.8)	(1.1)	(2.0)	(20.7)
SENSEX	35,779	1.8	(0.3)	2.8	(5.1)	7.7
Brent (USD/bbl)	60.15	(0.1)	(2.3)	(14.2)	(24.6)	(5.0)
Gold (USD/oz)	1,246	0.2	0.7	3.8	3.3	0.1
CRB Index	415.3	0.1	(0.4)	0	1.4	(3.1)
Rogers Agri Index	781.4	0.5	0.1	0.8	1	(0.8)
LIBOR (3M)*	2.77	1	3	16	44	120
INR 5Yr Swap*	7.23	(8)	(11)	(45)	(48)	65
India FII data (US\$ mn)						
	11 Dec	10 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(16.4)	(202.3)	(218.6)	306.5	(7,265.6)	(7,511.6)
FII-Equity	(402.7)	251.6	(151.1)	489.7	(4,400.1)	(6,525.6)

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com