


MACRO DAILY

12 December 2018

Macro developments

- ADB in its latest update has retained India's growth projections at 7.3% & 7.6% in FY19 & 20 respectively. This has been on the back of rebounding exports and higher industrial output. Further, it added that lower oil prices would reduce pressure on external balances. Inflation in India has also been projected lower at 4.3% & 4.7% in FY19 & 20 respectively (earlier est: 5%).
- Driven by services, US PPI for final demand edged up by 0.1% in Nov'18 (est: 0%) compared with 0.6% jump in Oct'18 on MoM basis. The marginal pick-up was offset by falling oil prices. However, core PPI rose by 0.3% in Nov'18 (vs 0.2% in Oct'18). On a YoY basis, PPI softened by 2.5% in Nov'18 from 2.9% in Oct'18, while core PPI was steady at 2.8%.
- Economic sentiment in Germany picked up in Dec'18 to (-) 17.5 from (-) 24.1 in Nov'18 (est., -25). However, the assessment of current economic situation continued to deteriorate and fell to 45.3 from 58.2 in Nov'18. This points to weaker economic growth in Q4CY18 weighed down by uncertainty around Brexit and global trade war. Separately, German government cut its GDP forecast for 2018 to 1.5-1.6% from 1.8% earlier.

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Markets

- **Bonds:** Global yields closed mixed. 10Y US yields rose by 2bps (2.88%) due to higher than expected increase in PPI in Nov'18. Crude prices edged up by 0.4% (US\$ 60/bbl) post OPEC meeting and hopes of a conclusive deal between US & China. Indian yields declined by 6bps (7.53%) on expectation of lower inflation in Nov'18 (2.6%). It was trading further lower at 7.45% today.
- **Currency:** Global currencies ended mixed. DXY closed 0.2% higher supported by rebound in US yields and weaker pound (-0.6%). GBP depreciated amidst heightened uncertainty around Brexit. INR suffered losses as state election outcome presented major defeat for the centre's ruling party. It opened lower, while Asian currencies were trading mixed.
- **Equity:** Barring Dow and Nikkei, major global indices closed higher. Volatile session in the US was driven by mixed signals on US-China trade deal and news around shutting down of the government by Trump. European and Chinese markets were supported by hopes of China cutting tariffs for US automobiles. Sensex opened higher, in line with Asian equities.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.88	2	(3)	(30)	(10)	49
UK	1.19	(1)	(9)	(30)	(31)	(1)
Japan	0.05	1	(2)	(7)	(7)	0
Germany	0.23	(1)	(3)	(18)	(20)	(6)
India	7.53	(6)	(4)	(23)	(65)	35
China	3.30	3	(4)	(19)	(37)	(64)
2Y yields (Δ bps)						
US	2.76	3	(3)	(16)	2	95
UK	0.69	(1)	(4)	(9)	(10)	22
Japan	(0.14)	0	(1)	(1)	(3)	1
Germany	(0.60)	(2)	1	0	(6)	13
India	7.13	(6)	(7)	(32)	(84)	77
China#	2.50	(3)	(5)	(39)	(35)	(128)
Currencies (Δ %)						
EUR	1.1317	(0.3)	0	(0.2)	(2.5)	(3.8)
GBP	1.2487	(0.6)	(1.8)	(3.7)	(4.2)	(6.4)
JPY	113.38	0	(0.5)	0.4	(1.6)	0.2
AUD	0.7206	0.2	(1.8)	(0.3)	1.2	(4.3)
INR	71.86	(0.7)	(1.9)	0.9	1.2	(11.6)
CNY	6.9000	0.2	(0.9)	0.8	(0.4)	(4.3)
Equity & Other indices (Δ %)						
DOW	24,370	(0.2)	(2.6)	(6.2)	(6.2)	(0.1)
FTSE	6,807	1.3	(3.1)	(4.2)	(6.4)	(8.7)
DAX	10,781	1.5	(4.9)	(6.5)	(9.9)	(17.9)
NIKKEI	21,148	(0.3)	(4.0)	(5.0)	(6.7)	(7.8)
Shanghai Comp	2,594	0.4	(2.7)	(0.2)	(2.7)	(21.9)
SENSEX	35,150	0.5	(2.7)	(0.0)	(6.0)	5.1
Brent (USD/bbl)	60.20	0.4	(3.0)	(14.2)	(23.9)	(6.9)
Gold (USD/oz)	1,243	0	0.4	2.8	3.7	0.1
CRB Index	414.7	(0.5)	(1.0)	0.1	0.8	(3.4)
Rogers Agri Index	777.3	(0.1)	(0.5)	0.2	0	(1.8)
LIBOR (3M)*	2.77	1	3	15	44	121
INR 5Yr Swap*	7.31	(5)	(22)	(35)	(40)	75
India FII data (US\$ mn)						
	10 Dec	9 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(202.3)	161.0	322.9	322.9	(7,249.3)	(7,495.2)
FII-Equity	251.6	672.4	892.4	892.4	(3,997.4)	(6,122.9)

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

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