

MACRO DAILY

14 November 2018

Macro developments

- AMFI data showed that net inflow in mutual funds increased to Rs 355bn in Oct'18 as against outflow of Rs 2302bn in the previous month. This was driven by higher inflow in the equity segment (Rs 131bn in Oct'18 versus Rs 119bn in Sep'18). Whereas in the debt segment, outflow persisted to the tune of Rs 358bn in Oct'18 versus Rs 334 bn in the previous month.
- CPI inflation in Germany rose to a 10-year high at 2.5% in Oct'18 compared with 2.3% in Sep'18. It was led by an increase in energy prices which rose by 8.9% in Oct'18 vs 7.7% in Sep'18 on a YoY basis. Food prices also edged up by 1.9% in Oct'18. Services inflation however remain muted at 1.8% (vs 3.2% for goods) in the same period.
- China's Oct'18 data points reflect a mixed picture of the economy. While its industrial production (5.9% vs 5.8% in Sep'18) and fixed asset investment quickened (5.7% in Jan-Oct'18 vs 5.4% in Jan-Sep'18), its retail sales (8.6% vs 9.2% in Sep'18) and new home sales (9% vs 11% in Sep'18) fell short of expectations. Fast tracking of infrastructure projects by the government and front loading of exports is supporting the manufacturing sector. However, slowing real estate is effecting domestic consumption.

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Markets

- Bonds:** Global yields closed mixed. Crude prices continued to decline and fell by 6.6% to close at US\$ 65/bbl amid concerns of fading global growth and glut in the oil market. Indian 10Y yields closed lower by 4bps (7.76%) supported by falling oil prices and lower retail inflation print in Oct'18. It was trading further lower at 7.72% today.
- Currency:** Except JPY, other major global currencies closed higher as DXY eased from a 17-month high (down 0.2%). EUR and GBP recovered to post sharp gains (0.6% and 1% respectively) on hopes of a possible Brexit deal. INR gained sharply (up 0.7%) in the morning session on the back of a fall in crude prices (down 7%). Asian currencies were trading higher.
- Equity:** Barring Nikkei and Dow, global indices closed higher led by renewed hopes of better trade deal between US-China. Shanghai comp gained by 0.9% post better than expected industrial output and fixed investment data. Sensex too ended in green supported by DIIs inflow of Rs 3.3bn. While Asian stocks were trading lower; Sensex was trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	3.14	(4)	(9)	(2)	24	73
UK	1.52	7	(2)	(11)	26	19
Japan	0.11	0	(2)	(4)	0	6
Germany	0.41	1	(3)	(9)	8	(1)
India	7.76	(4)	(4)	(22)	(6)	79
China	3.48	(1)	(4)	(10)	(8)	(49)
2Y yields (Δ bps)						
US	2.89	(3)	(4)	4	25	121
UK	0.80	5	(2)	(3)	9	31
Japan	(0.14)	0	(1)	(3)	(3)	3
Germany	(0.57)	4	3	(1)	7	17
India	7.41	(3)	(7)	(25)	(10)	108
China#	2.62	(3)	(18)	(25)	(21)	(98)
Currencies (Δ %)						
EUR	1.1290	0.6	(1.2)	(2.3)	(0.5)	(3.2)
GBP	1.2977	1.0	(0.9)	(1.3)	2.0	(1.1)
JPY	113.81	0	(0.3)	(1.4)	(2.4)	(0.2)
AUD	0.7218	0.6	(0.4)	1.5	(0.3)	(5.3)
INR	72.67	0.3	0.4	1.2	(4.0)	(11.1)
CNY	6.9560	0.1	(0.5)	(0.5)	(1.0)	(4.8)
Equity & Other indices (Δ %)						
DOW	25,286	(0.4)	(1.4)	(0.2)	(0.1)	7.9
FTSE	7,054	0	0.2	0.8	(7.3)	(4.9)
DAX	11,472	1.3	(0.1)	(0.4)	(7.2)	(12.3)
NIKKEI	21,811	(2.1)	(1.5)	(3.9)	(2.4)	(2.5)
Shanghai Comp	2,655	0.9	(0.2)	1.8	(4.5)	(23.0)
SENSEX	35,144	1.0	0.4	1.2	(7.2)	6.4
Brent (USD/bbl)	65.47	(6.6)	(9.2)	(18.6)	(9.6)	3.7
Gold (USD/oz)	1,202	0.2	(2.0)	(1.2)	0.7	(6.0)
CRB Index	413.8	(0.4)	(0.9)	(0.9)	(1.0)	(4.1)
Rogers Agri Index	770.2	(0.6)	(1.5)	(2.6)	(3.4)	(5.3)
LIBOR (3M)*	2.61	0	2	18	30	120
INR 5Yr Swap*	7.64	(4)	(16)	(16)	19	124
India** FII data (US\$ mn)						
	12 Nov	9 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(85.3)	(49.5)	(85.3)	586.8	(7,874.5)	(8,120.4)
FII-Equity	328.2	(371.7)	328.2	39.4	(5,718.7)	(7,844.2)

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

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