


MACRO DAILY

07 December 2018

Macro developments

- Indian government has approved Agriculture Export Policy, 2018 to double farm exports to US\$ 60bn by 2022 from US\$ 30bn last year. It has also been proposed to keep outbound shipment of processed and organic items free of any restriction. Agriculture & allied products exports is at US\$ 18bn in FYTD19 vs US\$ 33bn in FY18.
- US factory orders fell by (-) 2.1% on a MoM basis in Oct'18 vs 0.2% in Sep'18, the largest drop since Jul'17. This was led by decline in orders for transport equipment (-12% vs 0.9% in Sep'18). Separately, jobless claims as of week ending 1 Dec 2018 fell less than estimated to 231,000. The 4-week moving average rose to 228,000-highest since mid Apr'18. In addition, US trade deficit rose to a 10-year high at US\$ 55.5bn in Oct'18 vs US\$ 54.6bn in Sep'18.
- Factory orders in Germany rose for the third straight month by 0.3% in Oct'18 from 0.1% in Sep'18 (est., -0.4%). The rise was led by foreign orders which rose by 2.9%, even as domestic orders declined by 3.2%. Further, apart from consumer goods which fell by 1.7%, new orders in intermediate goods and capital goods increased by 0.8% and 0.4% respectively.

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Markets

- Bonds:** Global yields closed lower, barring Japan and China which closed flat as lingering worries of trade war and global economic slowdown continued to support yields. US 10Y yield dipped 2bps as crude prices eased further led by uncertainty over OPEC's decision on supply cut. Indian 10Y yield declined by 2bps to close at 7.43%. It was trading lower at 7.39% today.
- Currency:** Global currencies closed mixed. EUR (+0.3%), GBP (+0.4%) and JPY (+0.5%) gained due to dollar weakness. DXY ended lower by 0.3% on the back of a decline in US treasury yields. Uncertainty around future rate hikes by Fed in 2019 kept investors wary. INR depreciated by 0.6%. It was however trading higher today, in line with other Asian currencies.
- Equity:** Global indices closed lower with Dax (-3.5%) and FTSE (-3.1%) losing the most. This was on account of escalated concerns over US-Sino trade relation after the arrest of CFO of Chinese tech firm. In addition, possibility of slower pace of rate hike by Fed turned investors cautious. Both Asian markets and Sensex were trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.90	(2)	(13)	(33)	2	56
UK	1.25	(7)	(12)	(29)	(17)	2
Japan	0.06	0	(2)	(7)	(5)	1
Germany	0.24	(4)	(9)	(20)	(12)	(6)
India	7.43	(2)	(18)	(37)	(63)	39
China	3.32	0	(7)	(21)	(32)	(59)
2Y yields (Δ bps)						
US	2.76	(3)	(5)	(17)	13	95
UK	0.74	(1)	(2)	(8)	0	24
Japan	(0.14)	0	0	(1)	(3)	(0)
Germany	(0.62)	(2)	(3)	(2)	(5)	13
India	7.08	(4)	(17)	(39)	(78)	70
China#	2.50	(3)	(5)	(39)	(35)	(126)
Currencies (Δ %)						
EUR	1.1374	0.3	(0.2)	(0.5)	(2.1)	(3.6)
GBP	1.2781	0.4	(0.1)	(2.4)	(1.2)	(4.6)
JPY	112.68	0.5	0.7	0.7	(1.7)	(0.3)
AUD	0.7236	(0.4)	(1.1)	(0.2)	0.5	(4.3)
INR	70.90	(0.6)	(1.5)	2.9	1.5	(9.9)
CNY	6.8827	(0.4)	0.9	0.5	(0.7)	(4.0)
Equity & Other indices (Δ %)						
DOW	24,948	(0.3)	(1.5)	(2.7)	(4.0)	3.3
FTSE	6,704	(3.1)	(4.8)	(4.8)	(8.4)	(8.8)
DAX	10,811	(3.5)	(4.3)	(5.9)	(9.6)	(16.8)
NIKKEI	21,502	(1.9)	(3.4)	(2.9)	(4.4)	(3.0)
Shanghai Comp	2,605	(1.7)	1.5	(2.0)	(3.2)	(20.9)
SENSEX	35,312	(1.6)	(2.4)	0.9	(7.7)	8.3
Brent (USD/bbl)	60.06	(2.4)	0.9	(16.7)	(21.5)	(1.9)
Gold (USD/oz)	1,238	0	1.1	0.9	3.2	(2.0)
CRB Index	416.6	(0.1)	0.6	(0.2)	1.5	(2.7)
Rogers Agri Index	775.4	(0.7)	0.7	(0.9)	0	(3.3)
LIBOR (3M)*	2.77	3	6	17	44	124
INR 5Yr Swap*	7.30	(4)	(18)	(50)	(29)	78
India FII data (US\$ mn)						
	5 Dec	4 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	161.3	59.9	1.2	1.2	(7,571.0)	(7,817.0)
FII-Equity	(51.2)	3.9	(24.2)	(24.2)	(4,913.9)	(7,039.4)

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

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