

**MACRO DAILY**

06 December 2018

**Macro developments**

- RBI held rates and its calibrated tightening stance unchanged in its latest policy meet. However, inflation forecast was revised downward to 3% in H2FY19 from 4.2% and 4% in H1FY20 (earlier Q1 at 4.8%) on the back of muted food inflation and significant decline in oil prices. Notably, RBI indicated its willingness to take appropriate policy action if inflation prints remain subdued.
- India's services activity rebounded sharply as PMI rose to a 4-month high of 53.7 in Nov'18 vs 52.2 in Oct'18. Composite PMI also jumped to 54.5 in Nov'18, supported by higher inflows of new orders, strengthening business sentiment and accelerated pace of job creation. Input price pressure moderated and stronger demand conditions enabled manufacturers to improve their margins.
- Services activity in Europe slowed down in Nov'18 (53.4 vs 53.7 in Oct'18), led by easing pace of growth in Germany. On the other hand, services activity in Japan continues to hold ground (Services PMI 52.3 vs 52.4 in Oct'18). While output and new orders are under strain in the Eurozone, Japan has seen steady rise in both. Input price pressures remain elevated across countries.

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- **Bonds:** Global yields closed mixed. US 10Y yields remained stable at 2.91% on account of caution over slowing economic growth in the US as highlighted in the Federal Reserve Beige Book. Indian 10Y yields declined by 13bps (7.44%) as new inflation forecasts of RBI open room for a change in stance. It was trading further lower at 7.39% today.
- **Currency:** Global currencies closed mixed with AUD (down 1%) depreciating the most. DXY ended higher by 0.1% as focus shifted to the upcoming Fed policy meet. INR ended higher by 0.1% after RBI maintained status quo in its Dec policy meet. It was trading lower today.
- **Equity:** Fears of slowdown in global economy and increased caution ahead of the OPEC meet, resulted in tumbling of global stocks. Domestic market too ended lower despite RBI lowering its inflation forecast and opening room for change in stance, as and when required. Both Asian markets and Sensex were trading lower today.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.91	0	(15)	(29)	1	56
UK	1.32	3	(6)	(19)	(13)	6
Japan	0.07	(1)	(3)	(6)	(5)	2
Germany	0.28	1	(7)	(15)	(10)	(4)
India	7.44	(13)	(20)	(37)	(61)	38
China	3.32	(2)	(8)	(22)	(31)	(59)
<b>2Y yields (Δ bps)</b>						
US	2.79	0	(1)	(11)	15	98
UK	0.75	2	0	(5)	1	26
Japan	(0.14)	(1)	(1)	(1)	(3)	(1)
Germany	(0.60)	1	(2)	0	(5)	13
India	7.12	(8)	(14)	(41)	(68)	74
China#	2.50	(3)	(5)	(39)	(35)	(126)
<b>Currencies (Δ %)</b>						
EUR	1.1344	0	(0.2)	(0.6)	(2.5)	(4.1)
GBP	1.2734	0.1	(0.7)	(2.4)	(1.3)	(5.3)
JPY	113.19	(0.4)	0.4	0	(1.5)	(0.5)
AUD	0.7268	(1.0)	(0.5)	0.8	1.0	(4.5)
INR	70.47	0.1	0.2	3.6	1.8	(9.4)
CNY	6.8568	(0.3)	1.4	1.0	(0.4)	(3.6)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,027	(3.1)	1.1	(1.7)	(3.6)	3.5
FTSE	6,922	(1.4)	(1.2)	(2.6)	(6.2)	(5.5)
DAX	11,200	(1.2)	(0.9)	(2.6)	(7.0)	(14.2)
NIKKEI	21,919	(0.5)	(1.2)	0.1	(2.9)	(3.1)
Shanghai Comp	2,650	(0.6)	1.8	(0.6)	(2.0)	(19.8)
SENSEX	35,884	(0.7)	0.5	2.7	(5.6)	9.4
Brent (USD/bbl)	61.56	(0.8)	4.8	(15.9)	(20.3)	(2.1)
Gold (USD/oz)	1,237	(0.1)	1.3	0.5	3.4	(2.3)
CRB Index	417.0	(0.4)	0.9	(0.4)	1.7	(2.8)
Rogers Agri Index	780.6	0	1.3	(0.5)	0.3	(3.5)
LIBOR (3M)*	2.74	(1)	3	15	42	122
INR 5Yr Swap*	7.34	(19)	(18)	(40)	(21)	83
<b>India FII data (US\$ mn)</b>						
	<b>4 Dec</b>	<b>3 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	59.9	(220.0)	(160.1)	(160.1)	(7,732.3)	(7,978.3)
FII-Equity	3.9	23.1	27.0	27.0	(4,862.8)	(6,988.3)

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

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