


MACRO DAILY

05 December 2018

Macro developments

- According to news reports, Power Finance Corporation is expected to buy government's stake in Rural Electrification Corporation (58%) for almost Rs 140bn. This will be a part of government's Rs 800bn disinvestment program for FY19, of which Rs 192bn has been collected till Oct'18. The deal between the 2 NBFCs will require RBI's approval. Apart from this, a similar deal is being planned for NTPC and Satluj Jal Vidyut Nigam.
- Reserve Bank of Australia in its current policy kept cash rate unchanged at 1.5% on the backdrop of robust economic growth and lower unemployment. GDP is expected to average around 3.5% and 3.25% in 2018 & 2019 respectively. Inflation has been projected to edge up to 2.25% in 2019.
- South Korea's real GDP rose by 0.6% on a seasonally adjusted QoQ basis in Q3CY18, unchanged from Q2CY18. While private consumption rose at a slower pace (0.5% vs 0.3% in Q2), GFCF acted as a drag on the overall growth (-4.6% vs 2.9% in Q2). Government consumption on the other hand helped keep the economy afloat (1.5% vs 0.3% in Q2).

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Markets

- **Bonds:** Global yields closed lower. US 10Y yields declined by 6bps (2.91%). The yield curve of US 3Y & 5Y notes inverted lately i.e. short term rates were higher compared to long term rates raising fear of slowdown in the US economy in the near term. Crude prices inched up by 0.6% (US\$ 62/bbl). Indian 10Y yields declined by 5bps (7.57%) supported by buying from foreign & private banks. It was trading marginally lower at 7.56% today.
- **Currency:** Global currencies closed mixed. DXY ended lower by 0.1% over concerns about US economic growth. JPY strengthened by 0.8%. INR depreciated by 0.1% as oil prices recovered to trade at US\$ 60/bbl. It was trading lower today as well, in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp, global indices closed lower as worries of economic slowdown became more prominent. Dow slumped by (-) 3.1% as the fears of inverted yield curve signalling a probable recession, jittered the markets. Sensex dropped by (-) 0.3% led by DII outflows of Rs 5.21bn. Both Asian markets and Sensex were trading lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.91	(6)	(14)	(30)	2	54
UK	1.28	(3)	(11)	(21)	(15)	(1)
Japan	0.07	(1)	(2)	(6)	(5)	3
Germany	0.26	(4)	(9)	(17)	(9)	(8)
India	7.57	(5)	(16)	(21)	(49)	49
China	3.34	(4)	(7)	(22)	(28)	(59)
2Y yields (Δ bps)						
US	2.79	(3)	(4)	(11)	14	99
UK	0.73	0	(5)	(7)	(1)	23
Japan	(0.13)	0	1	0	(2)	2
Germany	(0.61)	(1)	(3)	0	(3)	9
India	7.20	(3)	(12)	(29)	(63)	82
China#	2.50	(3)	(5)	(39)	(35)	(126)
Currencies (Δ %)						
EUR	1.1343	(0.1)	0.5	(0.4)	(2.1)	(4.4)
GBP	1.2719	0	(0.2)	(1.9)	(1.1)	(5.6)
JPY	112.77	0.8	0.9	0.4	(1.2)	(0.3)
AUD	0.7338	(0.3)	1.6	2.0	2.2	(3.4)
INR	70.51	(0.1)	0.4	2.7	1.5	(9.5)
CNY	6.8360	0.7	1.7	0.8	0.1	(3.3)
Equity & Other indices (Δ %)						
DOW	25,027	(3.1)	1.1	(1.0)	(3.6)	3.0
FTSE	7,023	(0.6)	0.1	(1.0)	(5.8)	(4.3)
DAX	11,335	(1.1)	0.2	(1.6)	(7.2)	(13.2)
NIKKEI	22,036	(2.4)	0.4	(0.9)	(2.9)	(3.0)
Shanghai Comp	2,666	0.4	3.5	(0.4)	(3.1)	(19.4)
SENSEX	36,134	(0.3)	1.7	3.2	(5.3)	9.9
Brent (USD/bbl)	62.08	0.6	3.1	(14.8)	(20.6)	(0.6)
Gold (USD/oz)	1,239	0.6	1.9	0.5	3.9	(2.9)
CRB Index	418.6	0.1	1.7	0.2	1.8	(2.7)
Rogers Agri Index	780.8	0	2.3	(0.8)	(0.2)	(3.7)
LIBOR (3M)*	2.75	2	4	16	43	124
INR 5Yr Swap*	7.53	(7)	4	(15)	4	98
India FII data (US\$ mn)						
	30 Nov	29 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(220.0)	21.1	(220.0)	(220.0)	(7,792.2)	(8,038.2)
FII-Equity	23.1	(22.7)	23.1	23.1	(4,866.6)	(6,992.1)

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

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