


MACRO DAILY

04 December 2018

Macro developments

- India's manufacturing PMI rose to 54 in Nov'18, an 11-month high from 53.1 in Oct'18. This was attributed to robust demand conditions resulting from stronger inflow of new orders and jump in sales. On the price front, cost inflation moderated due to weaker supply chain pressures. Job creation on the other hand, continued to improve sharply as it rose at its fastest pace in over six years.
- CPI for Nov'18 surprised on the upside in Indonesia (at 3.23% vs est.: 3.15% and 3.16% in Oct'18), while it came lower than estimated in Thailand (at 0.9% vs est.: 1% and 1.2% in Oct'18). Food prices appear to be the main drivers of inflation in both countries, while fuel inflation takes a back seat. With inflation within Central Bank's target, future policy course will be driven by growth numbers (Thailand) & movement of currency (Indonesia).
- Manufacturing activity in US continued to expand at a robust pace as reflected in the ISM PMI data (59.3% in Nov'18 vs 57.7% in Oct'18). In Eurozone, the pace of expansion of manufacturing activity was at its weakest since Aug'16 (51.8 in Nov'18 vs 52 in Oct'18) driven by faltering demand conditions and deterioration in new orders. In Japan as well, manufacturing PMI dropped to more than 1-year low in Nov'18.

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Markets

- Bonds:** Apart from India and China, global yields closed lower. This was led by muted global activity which kept sovereign yield demand elevated. Crude prices jumped up by 5.1% (US\$ 62/bbl) in anticipation of production cut by OPEC ahead of its meeting. Indian 10Y yields closed higher by 2bps (7.63%) ahead of RBI's policy decision. It opened lower at 7.59% today.
- Currency:** Global currencies closed mixed with CNY appreciating the most and INR losing the most. US-China trade truce has shifted the focus away from dollar to US Fed meet. GBP remains under pressure around the Brexit vote in the parliament on 11 Dec, while INR was impacted by 5% rise in Brent. In line with Asian currencies, INR was trading higher.
- Equity:** Buoyed by the trade truce between US and China in the recently held G20 summit, global indices advanced higher. Shanghai Comp (2.6%) gained the most followed by Dax (1.8%) and FTSE (1.2%). 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	2.97	(2)	(8)	(16)	11	61
UK	1.31	(5)	(10)	(14)	(9)	8
Japan	0.09	(1)	0	(4)	(3)	5
Germany	0.31	(1)	(6)	(9)	(3)	0
India	7.63	2	(10)	(20)	(37)	57
China	3.38	0	(3)	(14)	(22)	(54)
2Y yields (Δ bps)						
US	2.82	3	(1)	(2)	19	105
UK	0.73	(5)	(5)	(4)	0	25
Japan	(0.13)	0	1	(1)	(2)	2
Germany	(0.60)	(1)	(3)	2	0	10
India	7.23	0	(9)	(32)	(48)	88
China#	2.50	(3)	(5)	(39)	(35)	(126)
Currencies (Δ %)						
EUR	1.1354	0.3	0.2	(0.5)	(2.3)	(4.6)
GBP	1.2725	(0.2)	(0.8)	(2.2)	(1.1)	(5.6)
JPY	113.66	(0.1)	(0.1)	(0.8)	(2.3)	(1.3)
AUD	0.7358	0.7	1.9	2.1	2.0	(3.3)
INR	70.46	(1.3)	0.6	4.1	1.1	(9.3)
CNY	6.8830	1.1	0.8	0.6	(0.9)	(4.0)
Equity & Other indices (Δ %)						
DOW	25,826	1.1	4.8	2.8	(0.5)	6.4
FTSE	7,062	1.2	0.4	(0.9)	(5.9)	(3.6)
DAX	11,465	1.8	1.0	0.2	(7.1)	(12.0)
NIKKEI	22,575	1.0	3.5	3.0	(0.6)	(0.7)
Shanghai Comp	2,655	2.6	3.1	2.0	(2.4)	(20.0)
SENSEX	36,241	0.1	2.5	5.2	(5.4)	9.3
Brent (USD/bbl)	61.69	5.1	2.0	(18.3)	(21.1)	(3.0)
Gold (USD/oz)	1,231	0.8	0.7	1.3	2.4	(3.5)
CRB Index	416.2	0.5	0.2	0.0	1.2	(3.1)
Rogers Agri Index	780.6	0.9	2.0	1.2	(0.5)	(3.7)
LIBOR (3M)*	2.74	0	4	18	42	125
INR 5Yr Swap*	7.60	6	6	(12)	15	108
India FII data (US\$ mn)						
	30 Nov	29 Nov	WTD**	MTD***	CYTD	FYTD
FII-Debt	21.1	(75.6)	(135.9)	889.1	(7,572.2)	(7,818.1)
FII-Equity	(22.7)	171.0	586.9	868.4	(4,889.8)	(7,015.3)

Source: Bloomberg, Bank of Baroda | #1 year yield is taken, *Indicates change in bps, ** week ending 30 Nov 2018 ***figures for Nov'18

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