


MACRO DAILY

29 November 2018

Macro developments

- GDP 2004-05 series has been rebased (2011-12). The methodology broadly remained same as in 2011-12 series. Average growth from FY06 to FY12 under the new series was lower at 6.9% vs 8.2% in the old series. According to the new series, impact of financial crisis was visible profoundly with GDP at constant prices tumbling to 3.1% in FY09 from 3.9% shown in accordance with the 2004-05 series. However, the trajectory remained similar.
- RBI reported that currency in circulation (CIC) declined by Rs 46.8bn (on a weekly basis) and stood at Rs 20tn as on 23 Nov 2018. Overall reserve money grew by 18.4% on a YoY basis compared to 30.4% a year ago. On FYTD basis, reserve money is growing at a slower pace of 5.3% against 13.2% in the previous year.
- New home sales in the US fell by (-) 8.9% in Oct'18 on a MoM basis vs 1% in Sep'18. This was despite second consecutive decline in home sale prices on a YoY basis (-3.1% in Oct'18 & Sep'18). GDP data for Q3CY18 too confirms that residential investment contracted by (-) 2.6% in Q3CY18 vs (-) 1.3% in Q2CY18 as higher cost of borrowing dents the housing market. Second estimates of GDP growth kept Q3CY18 rate unchanged at 3.5%.

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Markets

- **Bonds:** Global yields closed mixed. US 2Y yield dipped 2bps after Fed Chair signalled a slowdown in future rate hikes citing that rates are close to neutral. Crude prices declined by 2.4% to close at US\$ 59/bbl as US crude inventories rose for the 10th straight week. Indian 10Y yields fell by 9bps to close at 7.64% after RBI announced OMO purchase worth Rs 400bn in Dec'18. It was trading even lower at 7.61% today.
- **Currency:** Except CNY which closed unchanged, other currencies closed higher as dollar fell. DXY (down 0.6%) weakened from a 2-week high after comments from Fed Chair that US interest rates are inching closer to neutral, suggesting a slower pace of rate hikes than expected. Asian currencies including INR were trading higher today.
- **Equity:** Barring Dax and FTSE, global indices closed higher. Dow surged by 2.5%, sparked by the Fed's chair remarks of interest rates being closer to neutral. Euro indices ended in red on uncertainties over Brexit. Both Asian stocks 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	3.06	0	0	(3)	18	73
UK	1.38	(1)	(2)	(2)	(11)	12
Japan	0.10	1	1	(1)	0	6
Germany	0.35	(0)	(3)	(3)	(6)	1
India	7.64	(9)	(7)	(17)	(28)	61
China	3.40	(1)	1	(13)	(23)	(60)
2Y yields (Δ bps)						
US	2.81	(2)	(1)	(1)	13	106
UK	0.75	(3)	1	3	(1)	28
Japan	(0.13)	1	1	(1)	(2)	3
Germany	(0.59)	0	(1)	4	(1)	12
India	7.26	(7)	(5)	(29)	(38)	87
China#	2.50	(2)	(5)	(39)	(35)	(113)
Currencies (Δ %)						
EUR	1.1366	0.7	(0.2)	(0.1)	(2.9)	(4.0)
GBP	1.2825	0.6	0.4	0.3	(1.5)	(3.9)
JPY	113.68	0.1	(0.5)	(1.2)	(1.8)	(2.0)
AUD	0.7306	1.1	0.6	3.6	(0.1)	(3.8)
INR	70.62	0.2	0.1	3.8	0	(9.6)
CNY	6.9539	0	(0.4)	0.1	(1.9)	(5.2)
Equity & Other indices (Δ %)						
DOW	25,366	2.5	3.7	3.8	(2.9)	6.4
FTSE	7,005	(0.2)	(0.6)	(0.3)	(7.4)	(6.1)
DAX	11,299	(0.1)	0.5	(0.3)	(10.1)	(13.5)
NIKKEI	22,177	1.0	3.1	4.9	(2.9)	(1.4)
Shanghai Comp	2,602	1.1	(1.9)	2.3	(6.1)	(22.0)
SENSEX	35,717	0.6	1.5	4.8	(7.8)	6.2
Brent (USD/bbl)	58.76	(2.4)	(7.4)	(24.0)	(23.8)	(7.6)
Gold (USD/oz)	1,221	0.5	(0.4)	(0.7)	1.2	(5.6)
CRB Index	413.2	0.4	(0.8)	(0.8)	0.3	(3.7)
Rogers Agri Index	770.9	1.0	(0.0)	(0.7)	(1.3)	(4.6)
LIBOR (3M)*	2.69	1	5	20	37	123
INR 5Yr Swap*	7.52	2	(6)	(11)	3	110
India FII data (US\$ mn)						
	27 Nov	26 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(40.3)	(141.2)	(181.5)	843.5	(7,617.8)	(7,863.7)
FII-Equity	95.4	181.7	277.1	558.6	(5,199.6)	(7,325.1)

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

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