

**MACRO DAILY**

20 November 2018

**Macro developments**

- RBI's board has advised on a range of issues to provide relief to small business and weak banks. It has decided to constitute a panel with joint membership of government and RBI for examining the capital framework. It has proposed a restructuring scheme for MSME borrowers (credit facilities of up to Rs 250mn). It has also agreed to provide more time to banks for creating capital buffer. As per news reports, this move might cut capital needs of banks by Rs 300-400bn and boost lending by Rs 3.5-4tn.
- Japan's exports rebounded by 8.2% in Oct'18 after declining by 1.3% in Sep'18 (est. 9% increase). The decline in Sep'18 resulted from a number of natural disasters. Imports also rose by 19.9% in Oct'18 from 7% in Sep'18 due to rising oil prices. As a result, trade deficit rose to ¥ 449bn compared to a surplus of ¥ 278bn in Oct'17.
- Thailand's economy slowed to 3.3% in Q3CY18, much lower than anticipated, from 4.6% in Q2CY18. This was due to the sluggish pace of growth in exports and tourism sector. The adverse effects of trade spat between US and China on outbound shipments, resulted in exports falling to 5.2% in Sep'18 which accounts for over 60% of total GDP.

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**Markets**

- **Bonds:** Global yields closed mixed. US Fed vice chairman's comments on moving closer towards neutral rates and weak home data kept 10Y yields stable at 3.06%. Crude prices remained stable at US\$ 67/bbl. Indian 10Y yields closed lower by 2bps (7.79%) supported by buying from foreign banks and PSBs. It was trading further lower at 7.76%.
- **Currency:** Global currencies closed mixed. DXY weakened by 0.3% on concerns over a slowdown in global growth and future rate hikes by the Fed. Data showing a steep fall in US homebuilder sentiment also added pressure on the greenback. INR appreciated by 0.4% for the fifth straight session. It was trading even higher today.
- **Equity:** Global indices closed mixed as concerns over slowdown in global growth kept the investors cautious. Dow dropped by (-) 1.6% due to weaker than expected housing data and a sharp drop in tech stocks. Sensex continued its bull run for the second day in a row and gained 0.9%. Both Asian stocks and Sensex was 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	3.06	0	(12)	(13)	24	70
UK	1.38	(3)	(7)	(20)	16	9
Japan	0.10	(1)	(2)	(5)	(1)	6
Germany	0.37	1	(3)	(9)	7	1
India	7.79	(2)	(1)	(13)	(5)	90
China	3.39	3	(10)	(18)	(26)	(57)
<b>2Y yields (Δ bps)</b>						
US	2.79	(1)	(13)	(11)	20	104
UK	0.70	(3)	(6)	(11)	(1)	21
Japan	(0.14)	0	(1)	(3)	(2)	5
Germany	(0.58)	0	2	0	6	13
India	7.34	(4)	(9)	(29)	(23)	101
China#	2.56	1	(9)	(31)	(32)	(107)
<b>Currencies (Δ %)</b>						
EUR	1.1454	0.3	2.1	(0.5)	(0.2)	(2.4)
GBP	1.2854	0.2	0.0	(1.7)	0.4	(2.9)
JPY	112.55	0.2	1.1	0	(2.3)	0.1
AUD	0.7294	(0.5)	1.7	2.5	(0.6)	(3.4)
INR	71.66	0.4	1.7	2.3	(2.6)	(10.1)
CNY	6.9420	(0.1)	0.3	(0.2)	(1.2)	(4.6)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,017	(1.6)	(1.5)	(1.7)	(2.9)	6.8
FTSE	7,001	(0.2)	(0.7)	(0.7)	(7.8)	(5.3)
DAX	11,245	(0.9)	(0.7)	(2.7)	(8.8)	(13.9)
NIKKEI	21,821	0.6	(2.0)	(3.2)	(1.7)	(2.0)
Shanghai Comp	2,704	0.9	2.8	6.0	0.2	(20.3)
SENSEX	35,775	0.9	2.8	4.3	(6.5)	7.2
Brent (USD/bbl)	66.79	0	(4.7)	(16.3)	(7.5)	7.3
Gold (USD/oz)	1,224	0.1	2.0	(0.2)	2.8	(4.1)
CRB Index	415.2	0.2	(0.0)	(0.4)	0.2	(3.0)
Rogers Agri Index	770.7	(0.5)	(0.6)	(2.2)	(3.9)	(4.9)
LIBOR (3M)*	2.64	0	3	17	33	120
INR 5Yr Swap*	7.62	0	(6)	(8)	15	118
<b>India FII data (US\$ mn)</b>						
	<b>16 Nov</b>	<b>15 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	148.4	51.8	217.4	889.5	(7,571.8)	(7,817.7)
FII-Equity	119.0	265.2	865.5	576.7	(5,181.5)	(7,306.9)

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

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