

## MACRO DAILY

17 December 2018

### Macro developments

- India's trade deficit narrowed to US\$ 16.7bn in Nov'18 from US\$ 17.1bn in Oct'18 led by sharp decline in imports. Imports slowed on account of base effect and a steep fall in non-oil-non-gold imports (-5.8%). Exports also decelerated (0.8% vs 17.9% in Oct'18), mainly owing to adverse base effect. The continued dip in oil prices (-8% MTD basis in Dec'18) will be positive for external balance. Reversal in FPI inflows however remains a key risk.
- US retail sales grew by 0.2% in Nov'18 vs 1.1% in Sep'18 on MoM basis. Retail sales ex-gasoline slowed to 0.5% in Nov'18 vs 0.9% in Oct'18. Industrial production on the other hand picked up to 0.6% in Nov'18 vs (-) 0.2% in Oct'18. However, manufacturing remained flat. Capacity utilisation rose to 78.5% which is 1.3% points below its long run average.
- Flash manufacturing PMIs of US, Japan, and Eurozone indicates activity slowing across the board in Dec'18. Within Eurozone the decline was led by France, which activity growth contracted. Manufacturers in all countries reported a decline in new orders, and employment. Their profit margins are also coming under pressure due to sustained rise in input costs.

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### Markets

- Bonds:** Global yields closed mixed. This was led by lower than expected flash PMI data of major economies. Crude prices declined by 1.9% (US\$ 60/bbl) amidst slowdown in global growth. Indian 10Y yields climbed up by 3bps (7.44%) led by selling pressure from foreign & private banks. It was trading marginally lower at 7.43% today.
- Currency:** Barring JPY, other major currencies closed lower. DXY closed higher by 0.4% on the back of heightened concerns over global growth. Dismal macro data from China and UK's Brexit woes underpinned dollar strength. INR ended lower by 0.3%. It was however trading higher today, in line with other Asian currencies.
- Equity:** Barring Sensex, global indices closed lower amidst a volatile week as reflected by VIX, signalling 2018 as one of the most volatile year. Dow tumbled by (-) 2% as concerns over slowdown in global growth exacerbated due to lower than expected data prints from across the globe. Nikkei too was down by (-) 2% followed by Shanghai Comp (-1.5%). While Asian stocks were trading mixed, Sensex opened higher today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.89	(2)	4	(24)	(11)	54
UK	1.24	(5)	(3)	(27)	(29)	7
Japan	0.04	(2)	(2)	(8)	(8)	(2)
Germany	0.25	(3)	0	(15)	(20)	(6)
India	7.44	3	(2)	(29)	(69)	31
China	3.38	2	6	(6)	(30)	(55)
<b>2Y yields (Δ bps)</b>						
US	2.73	(3)	2	(13)	(4)	92
UK	0.72	(5)	(1)	(6)	(9)	27
Japan	(0.15)	(1)	(1)	(2)	(5)	0
Germany	(0.61)	(3)	(1)	(4)	(7)	10
India	6.98	0	(14)	(36)	(99)	59
China#	2.50	(3)	(5)	(39)	(35)	(128)
<b>Currencies (Δ %)</b>						
EUR	1.1306	(0.5)	(1)	0	(2.7)	(4.0)
GBP	1.2583	(0.5)	(1.1)	(3.1)	(3.7)	(6.3)
JPY	113.39	0.2	(0.6)	0.2	(1.2)	(0.9)
AUD	0.7172	(0.8)	(0.5)	(0.8)	0.3	(6.4)
INR	71.90	(0.3)	(1.5)	0.6	(0.1)	(11.7)
CNY	6.9076	(0.4)	(0.5)	0.6	(0.6)	(4.5)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	24,101	(2.0)	(1.2)	(3.9)	(7.9)	(1.7)
FTSE	6,845	(0.5)	1.0	(2.7)	(6.3)	(8.1)
DAX	10,866	(0.5)	0.7	(4.8)	(10.4)	(16.9)
NIKKEI	21,375	(2.0)	(1.4)	(2.2)	(7.4)	(5.8)
Shanghai Comp	2,594	(1.5)	(0.5)	(1.5)	(3.3)	(21.2)
SENSEX	35,963	0.1	0.8	2.3	(5.6)	8.2
Brent (USD/bbl)	60.28	(1.9)	(2.3)	(8.8)	(22.8)	(4.8)
Gold (USD/oz)	1,239	0	(0.8)	2.3	3.7	(1.1)
CRB Index	415.0	(0.3)	(0.7)	0.2	1.5	(3.4)
Rogers Agri Index	777.2	(0.5)	(0.9)	0.6	1	(2.2)
LIBOR (3M)*	2.77	1	3	17	44	124
INR 5Yr Swap*	7.21	(3)	(14)	(37)	(50)	62
<b>India** FII data (US\$ mn)</b>						
	<b>13 Dec</b>	<b>12 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	122.5	(213.2)	(309.3)	215.8	(7,356.3)	(7,602.3)
FII-Equity	57.8	(204.5)	(297.8)	343.0	(4,546.8)	(6,672.3)

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

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