


MACRO DAILY

14 February 2019

Macro developments

- RBI made net purchases of US\$ 607mn in the spot market in Dec'18 vs net sales of US\$ 644mn in Nov'18. In the forwards market, RBI sold US\$ 502mn vs net purchase of US\$ 1bn Nov'18. In FYTD19 (Apr-Dec'18), RBI has sold US\$ 25.9bn in spot and US\$ 23.3bn in the forwards market so far while INR has depreciated by 8.4% so far.
- RBI reported that currency in circulation (CIC) rose by Rs 325bn (on a weekly basis) and stood at Rs 21tn as on 8 Feb 2019. Overall reserve money grew by 16.7% on a YoY basis compared to 43.4% a year ago. On FYTD basis, reserve money is growing at a slower pace of 9.2% against 19.1% in the previous year.
- US CPI remained unchanged in Jan'19 on MoM basis (est.: 0.1%), as sharp fall in gasoline (-5.5% in Jan'19) offset the increase in food prices (0.2% in Jan'19). On a YoY basis, CPI grew by 1.6%. Core CPI however inched by 0.2% & 2.2% on MoM & YoY basis respectively. UK CPI also declined both on a MoM basis (-1% in Jan'19 vs 0.1% in Dec'18) & YoY basis (1.8% in Jan'19 vs 2% in Dec'18) led by falling fuel prices.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed. This was driven by optimistic outcome from US-China trade deal and muted inflation data in US & UK. 7.17%GS2028 yield closed lower by 6bps (7.47%) supported by lower inflation data in Jan'19. 7.26%GS2029 declined by 7bps (7.29%). It was trading at 7.31% today.
- **Currency:** Barring CNY, other global currencies ended lower as dollar strengthened. DXY rose by 0.4%. Steady rise in US inflation has again stroked concerns that Fed might be opting for a tighter monetary policy stance soon. INR depreciated by 0.2% on the back of rising crude prices (~2%) and FPI outflows. In line with other Asian currencies, INR was trading lower today.
- **Equity:** Except Sensex, other global indices ended higher on the back of renewed hopes from the US-China trade talks before the 1st March timeline. Dow gained by 0.5% as government shutdown has been suspended. European indices outperformed with FTSE rising by 0.8%. While Asian markets were trading mixed, Sensex was trading lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.70	1	1	0	(42)	(20)
UK	1.18	0	(3)	(12)	(32)	(46)
Japan	(0.01)	1	1	(2)	(12)	(7)
Germany	0.12	(1)	(4)	(11)	(28)	(63)
India#	7.47	(6)	(10)	4	(26)	(2)
China	3.08	0	(3)	(6)	(35)	(81)
2Y yields (Δ bps)						
US	2.53	2	1	0	(34)	37
UK	0.73	0	(1)	(9)	(5)	2
Japan	(0.16)	0	0	(1)	(2)	(1)
Germany	(0.56)	1	(1)	4	1	0
India	6.72	(1)	(22)	(25)	(63)	(14)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1261	(0.6)	(0.9)	(1.8)	(0.4)	(9.6)
GBP	1.2846	(0.4)	(0.7)	(0.1)	(1.1)	(8.2)
JPY	111.01	(0.5)	(0.9)	(2.6)	2.3	(3.7)
AUD	0.7090	(0.1)	(0.2)	(1.5)	(2.0)	(10.5)
INR	70.80	(0.2)	1.1	0.2	2.1	(10.5)
CNY	6.7604	0.2	(0.2)	0.1	2.7	(6.6)
Equity & Other indices (Δ %)						
DOW	25,543	0.5	0.6	6.8	1.8	2.6
FTSE	7,191	0.8	0.2	4.9	2.2	(0.3)
DAX	11,167	0.4	(1.4)	2.9	(2.1)	(9.5)
NIKKEI	21,144	1.3	1.3	2.9	(3.2)	0
Shanghai Comp	2,721	1.8	3.9	7.3	3.4	(14.9)
SENSEX	36,034	(0.3)	(2.5)	0.5	2.5	5.5
Brent (USD/bbl)	63.61	1.9	1.5	7.8	(3.8)	(1.2)
Gold (USD/oz)	1,306	(0.3)	0	1.1	7.9	(3.3)
CRB Index	411.7	0	(0.4)	(0.2)	(0.6)	(6.7)
Rogers Agri Index	768.5	0.1	(1.5)	(0.1)	(1)	(7.2)
LIBOR (3M)*	2.69	0	(4)	(9)	6	84
INR 5Yr Swap*	6.98	(7)	(24)	(18)	(60)	(6)
India FII data (US\$ mn)						
	12 Feb	11 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(70.9)	(60.1)	(131.0)	(206.1)	(573.3)	(7,563.9)
FII-Equity	164.9	(56.9)	108.0	574.8	499.4	(6,183.5)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com