


**MACRO DAILY**

18 February 2019

**Macro developments**

- India's trade deficit widened to US\$ 14.7bn in Jan'19 from US\$ 13.1bn in Dec'18 led by higher oil imports. On a YoY basis, exports picked up marginally (3.7% in Jan'19 vs 0.3% in Dec'18) while non-oil-non-gold imports declined (-0.8% vs -1.9% in Dec'18). We don't expect a pick-up in non-oil-non-gold imports as domestic demand is a bit muted.
- Industrial production in Japan declined by (-) 0.1% in Dec'18 in line with its estimation, on a sequential basis. On YoY basis, it declined by (-) 1.9% unchanged from Nov'18. Capacity utilisation also declined by (-) 1.9% vs 1% increase seen in the previous month. The fall in industrial production was in line with muted global growth indicators.
- US industrial production declined by (-) 0.6% on a MoM basis vs +0.1% in Dec'18. Manufacturing growth declined by (-) 0.9% from 0.8% in Dec'18 led by fall in output of motor vehicles. Mining production moderated to 0.1% in Jan'19 (vs 1.5% in Dec'18) and utilities output rose by 0.4% against (-) 6.9% decline in Dec'18. Even capacity utilization fell to 78.2% in Jan'19, 1.6% points lower than the long run average (CY72-CY18).

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**Markets**

- Bonds:** Global yields closed mixed. This was driven by uncertainty over US-China trade deal and muted inflation globally. Crude prices rose by 3% (US\$ 66/bbl) over higher than expected supply cut by Saudi Arabia. 7.26%GS2029 increased by 3bps (7.36%) driven by higher oil prices. It was trading flat today.
- Currency:** Global currencies closed mixed. DXY closed lower by (-) 0.1% as disappointing macro data raised expectations that the Fed might not raise rates in CY19. GBP appreciated by 0.7% after stronger than expected retail sales data. INR depreciated by (-) 0.1% as oil prices continued to climb. It was trading lower today, while Asian currencies were trading higher.
- Equity:** Barring Asian stocks, global indices ended higher led by fears of possible slowdown in US economy in the wake of disappointing data. However, European indices and Dow (1.7%) climbed up amidst renewed hopes of US-China trade deal. While Asian markets were trading higher, 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	2.66	1	3	(6)	(40)	(21)
UK	1.16	1	1	(15)	(25)	(42)
Japan	(0.02)	(1)	1	(3)	(13)	(8)
Germany	0.10	0	1	(12)	(27)	(61)
India#	7.58	6	6	2	(24)	0
China	3.09	0	(2)	0	(27)	(80)
<b>2Y yields (Δ bps)</b>						
US	2.51	2	5	(3)	(29)	32
UK	0.74	0	3	(9)	1	8
Japan	(0.17)	0	0	(1)	(3)	(1)
Germany	(0.56)	0	2	5	3	1
India	6.72	(1)	(9)	(31)	(66)	(16)
China	2.61	1	2	(15)	(50)	(97)
<b>Currencies (Δ %)</b>						
EUR	1.1296	0	(0.2)	(0.8)	(1.0)	(8.9)
GBP	1.2889	0.7	(0.4)	0.0	0.4	(8.1)
JPY	110.47	0	(0.7)	(1.3)	2.1	(4.0)
AUD	0.7141	0.5	0.7	(0.4)	(2.6)	(9.7)
INR	71.23	(0.1)	0.1	0.0	1.0	(10.9)
CNY	6.7732	0	(0.4)	(0.2)	2.4	(6.8)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,883	1.7	3.1	6.9	1.8	2.6
FTSE	7,237	0.6	2.3	5.4	3.2	(0.8)
DAX	11,300	1.9	3.6	3.4	(0.4)	(9.3)
NIKKEI	20,901	(1.1)	2.8	2.2	(3.6)	(3.8)
Shanghai Comp	2,682	(1.4)	2.5	4.4	0.1	(16.2)
SENSEX	35,809	(0.2)	(2.0)	(1.4)	1.0	5.3
Brent (USD/bbl)	66.25	2.6	6.7	8.0	(0.8)	2.2
Gold (USD/oz)	1,322	0.8	0.6	2.2	8.1	(1.8)
CRB Index	413.4	0.4	0.1	0.3	(0.8)	(6.5)
Rogers Agri Index	763.7	0.1	(0.9)	(0.7)	(1)	(7.9)
LIBOR (3M)*	2.69	1	0	(9)	5	81
INR 5Yr Swap*	7.05	8	(1)	(15)	(56)	(11)
<b>India FII data (US\$ mn)</b>						
	<b>14 Feb</b>	<b>13 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(73.7)	262.8	58.2	(17.0)	(384.1)	(7,374.7)
FII-Equity	(94.7)	(121.4)	(108.1)	358.7	283.4	(6,399.5)

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

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