

MACRO DAILY

06 February 2019

Macro developments

- India's services activity cooled off with PMI moderating for the 2nd straight month to 52.2 in Jan'19 vs 53.2 in Dec'18. This was driven by slower pace of expansion in new orders. However, better performance of manufacturing sector kept the composite PMI unchanged at 53.6 in Jan'19. Input prices rose modestly. Employment remained encouraging.
- Markit's services PMI for Eurozone remained unchanged from Dec'18 at 49-month low of 51.2 in Jan'19. This was led by sharp slowdown in services activity in France (47.8 vs 49 in Dec'18) on account of declining new export orders and weak demand. In Germany however, pace of growth improved (53 vs 51.8 in Dec'18), led by financial institutions, telecom & rental business.
- US ISM non-manufacturing PMI slipped marginally from 58 in Dec'18 to 56.7 in Jan'19. New export orders registered a steep decline and fell from 59.5 in Dec'18 to 50.5 in Jan'19. This also dragged the headline new orders and inventories index. Despite this, employment continued to rise. Overall economic activity index also indicates slowing growth.

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Markets

- Bonds:** Apart from Japan and China which remained stable, global yields closed lower. This was led by (-) 0.8% decline in crude prices (US\$ 62/bbl) over global growth concerns. Indian 10Y yield declined by 6bps (7.61%) as expectation of change in stance from RBI is awaited. It was trading further lower at 7.59% today.
- Currency:** Except INR and AUD, other global currencies closed lower on the back of a stronger dollar. DXY rose by 0.2% as investors await President Trump's address for possible cues on US-China trade war. GBP depreciated sharply by (-) 0.7% after UK services PMI fell more than expected (50.1 vs est. 51.0). INR appreciated by 0.3% and was trading flat today.
- Equity:** Barring Nikkei, other global indices ended higher as the investors' awaited US president's state of the union address. Against this backdrop, Dow gained by 0.7%. Euro indices rallied ahead, as FTSE surged by 2% amidst strong corporate earnings. Sensex rose by 0.1% supported by DII inflow of Rs 1.9bn. Both Asian markets and Sensex was trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.70	(3)	(1)	0	(53)	(10)
UK	1.23	(5)	(4)	(2)	(31)	(29)
Japan	(0.01)	0	(2)	0	(14)	(9)
Germany	0.17	(1)	(3)	(5)	(26)	(52)
India#	7.61	(6)	8	10	(19)	4
China	3.11	0	(3)	(6)	(42)	(79)
2Y yields (Δ bps)						
US	2.52	(1)	(5)	(2)	(41)	42
UK	0.75	(4)	(3)	(1)	(7)	14
Japan	(0.16)	1	(1)	0	(4)	(3)
Germany	(0.57)	1	1	2	4	0
India	6.96	(7)	(1)	(10)	(52)	(4)
China	2.61	1	2	(15)	(50)	(97)
Currencies (Δ %)						
EUR	1.1406	(0.3)	(0.2)	(0.6)	(0.2)	(7.8)
GBP	1.2945	(0.7)	(0.9)	1.3	(1.2)	(7.2)
JPY	109.96	(0.1)	(0.5)	(1.1)	3.1	(0.4)
AUD	0.7234	0.1	1.1	1.2	(0.2)	(8.5)
INR	71.57	0.3	(0.6)	(2.7)	2.0	(11.4)
CNY	6.7454	(0.7)	0	1.5	2.5	(7.2)
Equity & Other indices (Δ %)						
DOW	25,412	0.7	3.4	8.0	(0.9)	2.0
FTSE	7,177	2.0	5.0	5.4	1.9	0.5
DAX	11,368	1.7	1.3	5.8	(1.0)	(8.3)
NIKKEI	20,844	(0.2)	0.9	4.0	(5.9)	(3.5)
Shanghai Comp	2,618	1.3	0.9	3.4	(1.5)	(22.3)
SENSEX	36,617	0.1	2.9	2.1	4.6	7.1
Brent (USD/bbl)	61.98	(0.8)	1.1	8.1	(14.1)	(7.3)
Gold (USD/oz)	1,315	0.2	0.3	2.0	7.2	(0.7)
CRB Index	414.2	0.2	0.3	0.1	(0.8)	(6.5)
Rogers Agri Index	780.1	0.1	0.5	1.1	0	(5.2)
LIBOR (3M)*	2.73	0	(2)	(6)	14	94
INR 5Yr Swap*	7.23	(1)	2	0	(57)	4
India FII data (US\$ mn)						
	4 Feb	1 Feb	WTD	MTD	CYTD	FYTD
FII-Debt	(214.2)	67.7	(214.2)	(146.5)	(513.6)	(7,504.2)
FII-Equity	(124.9)	169.7	(124.9)	44.8	(30.6)	(6,713.5)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, # 7.17 GS 2028 security is taken, China's market was closed for Lunar New Year holiday.

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