

MACRO DAILY

07 February 2019

Macro developments

- RBI reported that currency in circulation (CIC) declined by (-) Rs 3.8bn (on a weekly basis) and stood at Rs 20tn as on 1 Feb 2019. Overall reserve money grew by 17% on a YoY basis compared to 45% a year ago. On FYTD basis, reserve money is growing at a slower pace of 8.4% against 17.6% in the previous year.
- Germany's factory orders declined by (-) 1.6% in Dec'18 vs (-) 0.2% in Nov'18 on MoM basis and compared to an estimate of 0.3% growth. This has been on the back of recent bottlenecks facing the auto industry over new emission test and muted global growth prospects, which in turn have weighed down manufacturing activity.
- Indonesia's GDP rose by 5.18% in Q4CY18 vs 5.17% in Q3 and estimate of 5.11%. In CY18 also, GDP rose by 5.2% (highest in 5 years) vs 5.1% in CY17. The robust growth was led by household consumption (5.1%), investment (6%), & government spending. For CY19, the target is 5.3% GDP growth. Elsewhere, Thailand's central bank held its policy rate unchanged at 1.75%, as inflation remains subdued (0.3% YoY in Jan'18 vs BoT's targeted 1%).

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Markets

- **Bonds:** Apart from US, Japan and China which remained stable, global yields closed lower. This was led by global growth worries and spectre of another US government shutdown in the wake of US President's address. Crude rose by 1.1% (US\$ 63/bbl). Indian 10Y yield declined by 4bps (7.57%) ahead of the RBI policy. It was trading flat at 7.57% today.
- **Currency:** Except INR and JPY, other global currencies closed lower as dollar gained. DXY rose by 0.3% after data showed that US trade deficit fell in Nov'18. AUD fell sharply by (-) 1.8% after RBA Governor signalled a possible rate cut amidst risks to economic growth. While INR closed unchanged yesterday, it was trading lower today ahead of RBI policy meet.
- **Equity:** Barring Nikkei (0.1%) and Sensex (1%), other global indices ended lower. Dow fell by (-) 0.5% pulled down by tech stocks and shift in investors' attention towards State of the Union address by US president. Sensex surged by 1% supported by DII inflows of Rs 5.25bn. While Asian markets were trading mixed; domestic market was trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|--------------|--------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 2.69 | 0 | 2 | 0 | (54) | (14) |
| UK | 1.22 | (2) | (4) | (4) | (32) | (34) |
| Japan | (0.01) | 0 | (2) | 0 | (14) | (9) |
| Germany | 0.16 | (1) | (3) | (6) | (29) | (58) |
| India# | 7.57 | (4) | 2 | 12 | (23) | 4 |
| China | 3.11 | 0 | (3) | (4) | (40) | (78) |
| 2Y yields (Δ bps) | | | | | | |
| US | 2.52 | 0 | 2 | (2) | (43) | 40 |
| UK | 0.74 | (1) | (4) | (2) | (8) | 11 |
| Japan | (0.16) | 1 | 0 | 1 | (3) | (1) |
| Germany | (0.56) | 1 | 1 | 3 | 3 | (1) |
| India | 6.94 | (2) | (3) | (13) | (54) | 3 |
| China | 2.61 | 1 | 2 | (15) | (50) | (97) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1362 | (0.4) | (1.0) | (1.0) | (0.6) | (7.4) |
| GBP | 1.2932 | (0.1) | (1.4) | 1.2 | (1.5) | (6.8) |
| JPY | 109.97 | 0 | (0.9) | (1.1) | 3.1 | (0.6) |
| AUD | 0.7105 | (1.8) | (2.0) | (0.6) | (2.4) | (9.2) |
| INR | 71.56 | 0 | (0.6) | (2.7) | 2.0 | (11.3) |
| CNY | 6.7454 | (0.7) | 0 | 1.7 | 2.5 | (7.4) |
| Equity & Other indices (Δ %) | | | | | | |
| DOW | 25,390 | (0.1) | 1.5 | 7.9 | (3.0) | 2.0 |
| FTSE | 7,173 | (0.1) | 3.3 | 5.3 | 0.8 | (1.5) |
| DAX | 11,325 | (0.4) | 1.3 | 5.4 | (2.2) | (10.1) |
| NIKKEI | 20,874 | 0.1 | 1.5 | 4.2 | (5.5) | (3.6) |
| Shanghai Comp | 2,618 | 1.3 | 1.7 | 3.4 | (0.9) | (20.9) |
| SENSEX | 36,975 | 1.0 | 3.9 | 3.1 | 4.9 | 8.5 |
| Brent (USD/bbl) | 62.69 | 1.1 | 1.7 | 9.3 | (13.0) | (4.3) |
| Gold (USD/oz) | 1,307 | (0.7) | (1.0) | 1.3 | 6.5 | (0.9) |
| CRB Index | 415.0 | 0.2 | 0.3 | 0.4 | (0.6) | (6.1) |
| Rogers Agri Index | 780.5 | 0.1 | 0.2 | 1.2 | 0 | (5.5) |
| LIBOR (3M)* | 2.74 | 0 | (1) | (4) | 14 | 94 |
| INR 5Yr Swap* | 7.21 | (1) | 0 | (0) | (58) | 5 |
| India FII data (US\$ mn) | | | | | | |
| | 5 Feb | 4 Feb | WTD | MTD | CYTD | FYTD |
| FII-Debt | (120.3) | (214.2) | (334.5) | (266.7) | (633.9) | (7,624.5) |
| FII-Equity | 99.6 | (124.9) | (25.3) | 144.4 | 69.0 | (6,613.8) |

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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