


MACRO DAILY

01 February 2019

Macro developments

- Eight core sector growth slipped further to 2.6% in Dec'18 from 3.4% in Nov'18. This was on the back of the slowdown in coal (0.9% vs 3.7% in Nov'18), crude oil (-4.3% vs 2.3% in Nov'18) and refinery products (-4.8% vs 2.3% in Nov'18). However, both steel (13.2%) and cement production (11.6%) surprised positively to clock double-digit growth in Dec'18.
- CSO has revised India's GDP growth to 8.2% (7.1% earlier) and 7.2% (6.7% earlier) for FY17 and FY18 respectively. Notably, consumption spending led by durables has been revised upwards for both the years while government and investment spending have been revised up for FY18. With a rural stimulus expected in the upcoming budget, consumption spending is likely to get a boost in FY20 as well.
- US jobless claims for the week ending 26 Jan 2019 rose to 253,000 against an upwardly revised 200,000 last week. This was the highest weekly increase since Sep'17. However, temporary factors such as a partial government shutdown and extreme cold weather had a bearing on the report. The 4-week moving average of initial claims rose by only 5,000 to 220,250.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Major global yields closed lower, led by India (-7bps) and US (-5bps). Yields continued to decline after Fed indicated willingness to pause its rate hike cycle. Oil prices also rose by 0.4% on the back of supply side concerns arising from Saudi Arabia and Venezuela. Indian 10Y yield softened to 7.48%, but is trading slightly higher at 7.50% today.
- **Currency:** Except EUR (-0.3%) and GBP (-0.1%) which ended lower, other major global currencies closed higher. Weak GDP data from the Euro Area weighed on investor sentiments. This supported the dollar index which rose by 0.2%. INR strengthened marginally by 0.1%. It was however trading lower today ahead of the Union Budget.
- **Equity:** Barring Dow and Dax, other global indices ended higher. While Wall Street remained cautious ahead of US-China trade talks and macro data prints, Dax too ended lower led by banking stocks and weaker Euro Area GDP print. Asian stocks were trading mixed due to muted global cues and poor China data. Sensex opened higher ahead of the budget today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.63	(5)	(9)	(5)	(50)	(16)
UK	1.22	(4)	(5)	(6)	(24)	(31)
Japan	0.01	0	(1)	0	(12)	(10)
Germany	0.15	(4)	(3)	(9)	(25)	(57)
India	7.48	(7)	(8)	6	(34)	(13)
China	3.11	(3)	(3)	(7)	(42)	(81)
2Y yields (Δ bps)						
US	2.46	(5)	(11)	(3)	(39)	30
UK	0.76	(2)	(1)	0	(2)	9
Japan	(0.16)	(1)	0	(2)	(4)	(4)
Germany	(0.56)	0	2	5	6	(2)
India	6.93	(3)	(9)	10	(62)	3
China	2.61	1	2	(15)	(46)	(97)
Currencies (Δ %)						
EUR	1.1448	(0.3)	1.3	(0.1)	0.4	(8.5)
GBP	1.3109	(0.1)	0.3	2.9	0.7	(8.1)
JPY	108.89	0.1	0.7	0.8	3.4	0.5
AUD	0.7273	0.3	2.5	3.1	0.9	(9.5)
INR	71.09	0.1	0	(2.4)	3.2	(11.0)
CNY	6.7000	0.2	1.3	2.4	3.2	(6.4)
Equity & Other indices (Δ %)						
DOW	25,000	(0.1)	1.8	7.1	(1.5)	(4.5)
FTSE	6,969	0.4	2.2	3.5	(2.0)	(7.0)
DAX	11,173	(0.1)	0.4	5.6	(2.6)	(14.1)
NIKKEI	20,773	1.1	1.0	6.2	(4.2)	(11.5)
Shanghai Comp	2,585	0.3	(0.3)	4.8	(0.8)	(25.0)
SENSEX	36,257	1.9	0.2	0.0	5.3	1.0
Brent (USD/bbl)	61.89	0.4	1.3	12.7	(15.1)	(11.1)
Gold (USD/oz)	1,321	0.1	3.1	3.0	7.1	(2.0)
CRB Index	412.8	(0.2)	0.4	0.8	(1.2)	(6.9)
Rogers Agri Index	775.8	(0.4)	0	2.4	(1)	(5.9)
LIBOR (3M)*	2.74	(1)	(3)	(6)	15	95
INR 5Yr Swap*	7.19	(2)	(2)	(3)	(56)	16
India FII data (US\$ mn)						
	30 Jan	29 Jan	WTD	MTD[#]	CYTD	FYTD
FII-Debt	(60.9)	10.4	(70.5)	(353.5)	(353.5)	(7,344.2)
FII-Equity	32.8	(38.9)	(16.9)	(463.3)	(463.3)	(7,146.2)

Source: Bloomberg, Bank of Baroda [*Indicates change in bps]#Data for Jan'19

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com