


MACRO DAILY

15 January 2019

Macro developments

- Both CPI (2.19% vs 2.33% in Nov'18) and WPI inflation (3.8% vs 4.6% in Nov'18) cooled off further in Dec'18. While the drop in WPI inflation was led by lower fuel and power inflation (8.4% vs 16.3%), continued deflation in food prices (-2.5% in Dec'18) dragged CPI down. With CPI inflation significantly undershooting RBI's trajectory and inflationary pressures remaining muted, we believe RBI is likely to change its stance next month.
- Industrial production in both the Euro Area and EU28 declined by (-) 1.7% & (-) 1.3% respectively in Nov'18 vs 0.1% increase seen in Oct'18. There was broad based decline in all categories such as capital and consumer goods, yet again confirming that global growth picture is showing signs of stress. Within EA, Ireland, Portugal and Germany registered the largest decline.
- China's exports in Dec'18 fell by (-) 4.4%, vs est.: 2% and 5.4% in Nov'18. Its imports also contracted more than expected (-7.6% in Dec'18 vs 3% in Nov'18). As a result, while its trade surplus rose to US\$ 57.1bn in Dec'18 (US\$ 44.8bn in Nov'18), for CY18 total surplus declined to US\$ 357bn, the lowest since CY13. Despite fears of slowing economy, China continued to attract FDI in CY18 (+3%, US\$135bn).

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Markets

- **Bonds:** Global yields closed mixed amidst fears of slowdown in China as visible from the trade data. This has also impacted crude prices which declined by 2.5% (US\$ 59/bbl). Indian 10Y yield closed lower by 7bps (7.43%) as wholesale inflation fell more than expected in Dec'18. It was trading at 7.48% today.
- **Currency:** Global currencies closed mixed. DXY ended lower by (-) 0.1% on waning hopes of rate hike by the Fed in CY19 amidst worsening global growth outlook. GBP edged up by 0.2% ahead of the crucial Brexit vote. INR depreciated by (-) 0.6% on the back of FII outflows. It was trading marginally higher in line with other Asian currencies.
- **Equity:** The week started on a sombre note with the global indices ending lower, led by concerns of worsening global growth (weaker print from China). European indices too ended in red due to uncertainty over Brexit. However Sensex and Asian stocks were 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	0	1	(19)	(45)	16
UK	1.30	1	4	6	(31)	(3)
Japan	0.02	0	3	(2)	(13)	(6)
Germany	0.23	(1)	1	(2)	(27)	(36)
India	7.43	(7)	(8)	(1)	(49)	16
China	3.14	2	(3)	(23)	(46)	(83)
2Y yields (Δ bps)						
US	2.53	(1)	(1)	(20)	(32)	54
UK	0.82	1	6	10	1	23
Japan	(0.15)	0	2	1	(3)	(2)
Germany	(0.60)	(1)	(1)	1	(3)	(2)
India	6.97	(3)	(9)	(2)	(68)	14
China#	2.69	0	1	19	(28)	(116)
Currencies (Δ %)						
EUR	1.1469	0	0	1.4	(0.9)	(6.5)
GBP	1.2864	0.2	0.7	2.2	(2.2)	(6.7)
JPY	108.16	0.3	0.5	4.6	3.2	2.2
AUD	0.7197	(0.2)	0.7	0.3	0.9	(9.6)
INR	70.93	(0.6)	(1.8)	1.3	3.9	(11.7)
CNY	6.7681	(0.1)	1.2	2.0	2.1	(5.1)
Equity & Other indices (Δ %)						
DOW	23,910	(0.4)	1.6	(0.8)	(5.3)	(7.3)
FTSE	6,855	(0.9)	0.6	0.1	(2.5)	(11.8)
DAX	10,856	(0.3)	1.0	(0.1)	(6.5)	(17.8)
NIKKEI**	20,360	1.0	1.6	(4.7)	(8.6)	(14.1)
Shanghai Comp	2,536	(0.7)	0.1	(2.2)	(1.3)	(25.6)
SENSEX	35,854	(0.4)	0	(0.3)	2.8	2.9
Brent (USD/bbl)	58.99	(2.5)	2.9	(2.1)	(27.0)	(16.0)
Gold (USD/oz)	1,292	0.1	0.2	4.3	5.3	(3.6)
CRB Index	412.5	0.2	(0.3)	(0.6)	(1.6)	(6.0)
Rogers Agri Index	769.0	(0.3)	(0.3)	(1.1)	(4)	(4.6)
LIBOR (3M)*	2.79	(1.0)	(1)	(1)	34	106
INR 5Yr Swap*	7.15	(4)	(9)	(6)	(59)	38
India** FII data (US\$ mn)						
	11 Jan	10 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	29.5	(85.3)	(91.6)	(48.1)	(48.1)	(7,038.7)
FII-Equity	(43.6)	(43.6)	(123.1)	(326.9)	(326.9)	(7,009.7)

Source: Bloomberg, Bank of Baroda | #1 year yield is taken, *Indicates change in bps, **Data as of 11.01.2019

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