

MACRO DAILY

18 January 2019

Macro developments

- Number of beneficiaries under PM-Rashtriya Rozgar Protsahan Yojna has crossed the 10mn mark. The scheme launched in 2016, aimed at providing new employment opportunities by incentivizing employers. This is done through government paying full contribution of 12% wages towards EPF. Over 1.24 lakh establishments have benefited from this scheme till date.
- US jobless claims fell by 3,000 to 213,000 for the week ending 12 Jan 2018 as against its previous week's level and estimated 220,000. This signals robust labour market conditions in the US economy. However, the 4-week moving average showed an increase of 8,000 to 1.7mn from the previous week's revised average.
- Euro Area CPI declined to 1.6% in Dec'18 on a YoY basis vs 1.9% in Nov'18. The dip was mainly led by softening prices of food (1.8% vs 1.9% in Nov'18) and energy (5.4% vs 9.1% in Nov'18). On the other hand, inflation of non-energy industrial goods and services remained steady, at 0.4% & 1.3% respectively.

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Markets

- **Bonds:** Global yields closed mixed. This has been on the back of optimism over US-China trade deal as media reports suggested that US might agree to 10% tariff (rather than 25% as suggested earlier) on US\$ 200bn goods. Crude prices declined by 0.2% (US\$ 61/bbl) on account of rising US output. Indian 10Y yield declined a tad by 1bps (7.55%). It was trading higher at 7.59% today.
- **Currency:** Global currencies closed mixed. DXY ended flat. GBP gained 0.8% to a 2-month high as investors speculated on the possibility of a second Brexit referendum. INR rebounded by 0.3% after posting losses for four straight session after RBI relaxed ECB norms for borrowers. It was however trading lower today, in line with other Asian currencies.
- **Equity:** Barring Dow, global indices ended lower amidst uncertainty surrounding the fate of Brexit. Robust earning and ongoing trade negotiations between US and China, resulted in Dow gaining by 0.7%. Sensex too rose by 0.1%. While Asian stocks were trading higher; Sensex was trading lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.75	3	1	(7)	(43)	12
UK	1.34	3	6	6	(20)	1
Japan	0.01	0	(2)	(2)	(15)	(8)
Germany	0.24	2	(1)	0	(17)	(33)
India	7.55	(1)	7	21	(37)	29
China	3.08	0	(4)	(30)	(48)	(90)
2Y yields (Δ bps)						
US	2.56	2	(1)	(8)	(31)	52
UK	0.82	(1)	5	7	6	24
Japan	(0.17)	(1)	(2)	(1)	(5)	(4)
Germany	(0.59)	1	0	2	3	(1)
India	7.02	0	2	9	(62)	17
China#	2.60	0	(3)	(13)	(54)	(98)
Currencies (Δ %)						
EUR	1.1389	0	(1.0)	0.2	(0.6)	(6.9)
GBP	1.2986	0.8	1.9	2.7	(0.2)	(6.5)
JPY	109.26	(0.2)	(0.8)	2.9	2.6	1.7
AUD	0.7193	0.3	0.1	0.2	1.3	(10.1)
INR	71.04	0.3	(0.9)	(0.9)	3.1	(11.2)
CNY	6.7764	(0.3)	0.2	1.7	2.3	(5.6)
Equity & Other indices (Δ %)						
DOW	24,370	0.7	1.5	2.9	(4.0)	(6.3)
FTSE	6,835	(0.4)	(1.6)	2.0	(2.7)	(11.2)
DAX	10,919	(0.1)	0	1.7	(5.8)	(17.8)
NIKKEI	20,402	(0.2)	1.2	(3.4)	(10.0)	(14.1)
Shanghai Comp	2,560	(0.4)	1.0	(0.7)	2.9	(26.3)
SENSEX	36,374	0.1	0.7	0.1	6.0	3.2
Brent (USD/bbl)	61.18	(0.2)	(0.8)	8.7	(22.8)	(11.7)
Gold (USD/oz)	1,292	(0.1)	0.4	3.4	5.4	(2.6)
CRB Index	412.3	0.3	(0.1)	(0.3)	(0.9)	(5.6)
Rogers Agri Index	774.0	0.7	0.6	(0.3)	(2)	(4.9)
LIBOR (3M)*	2.78	1	(2)	(1)	31	104
INR 5Yr Swap*	7.19	0	(5)	0	(53)	36
India FII data (US\$ mn)						
	16 Jan	15 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(135.7)	(97.4)	(260.0)	(308.1)	(308.1)	(7,298.7)
FII-Equity	(10.0)	50.6	(81.6)	(408.5)	(408.5)	(7,091.3)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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