

MACRO DAILY

21 January 2019

Macro developments

- India's FX reserves for the week ending 11 Jan 2019 rose to US\$ 397bn. On a weekly basis, forex reserves rose by US\$ 1.3bn, lower than an increase of US\$ 2.7bn last week. However, on FYTD basis, reserves are down by US\$ 27bn, compared with an accretion of US\$ 43.9bn in the same period last year.
- China's Q4CY18 GDP growth eased to 6.4% vs 6.5% in Q3, taking the CY18 growth down to 6.6% (lowest since CY90) from downwardly revised 6.8% in CY17. In the wake of lower growth, industrial production (IP) and retail sales data for Dec'18 surprised positively, indicating support from front-loading of exports. IP rose by 5.7% in Dec'18 vs 5.4%, while retail sales rose by 8.2% in Dec'18 vs 8.1% in Nov'18. Overall, the data represents a soft landing for China's economic growth rather than a hard landing.
- US industrial production rose by 0.3% in Dec'18 on a MoM basis, vs 0.4% in Nov'18. The increase in mining and manufacturing production had off-set the fall in utilities, resulting in 0.3% increase in industrial production. Within this, manufacturing production rose to 10-month of 1.1%, its biggest gain since Feb'18. This was led by jump in production of motor vehicles as it surged by 4.7% in Dec'18 from 0.2% in Nov'18.

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Markets

- Bonds:** Global yields closed higher. This was driven by optimism over US-China trade talks as the latter offered U.S. trade negotiators a six-year plan to boost imports. Crude prices also rose by 2.5% (US\$ 63/bbl) in response to this. Indian 10Y yield rose by 5bps (7.60%) over rising fiscal concerns. It was trading at 7.64% today.
- Currency:** Except CNY which closed unchanged, other global currencies closed lower. DXY rose by 0.3% to a 2-week high over progress on US-China trade talks. INR depreciated by (-) 0.2% on the back of higher oil prices and FII outflows. It opened even lower today, in line with other Asian currencies.
- Equity:** Led by progress over ongoing trade negotiations between US and China pushed global indices higher. Dax surged by 2.6% followed by FTSE (2%) and Shanghai Comp (1.4%). Dow too gained by 1.4% as manufacturing production rose to 10-month high of 1.1%. Both 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	2.78	3	8	3	(41)	13
UK	1.35	2	6	8	(22)	2
Japan	0.02	1	0	(2)	(13)	(7)
Germany	0.26	2	2	2	(20)	(31)
India	7.60	5	10	38	(32)	31
China	3.11	2	(2)	(26)	(47)	(87)
2Y yields (Δ bps)						
US	2.61	5	7	(3)	(29)	55
UK	0.81	(1)	0	8	1	25
Japan	(0.17)	0	(2)	(2)	(5)	(4)
Germany	(0.58)	1	1	2	(0)	2
India	7.03	1	3	15	(60)	18
China	2.60	0	(3)	(13)	(54)	(98)
Currencies (Δ %)						
EUR	1.1363	(0.2)	(0.9)	(0.1)	(1.3)	(7.0)
GBP	1.2872	(0.9)	0.2	2.1	(1.6)	(7.1)
JPY	109.78	(0.5)	(1.2)	2.4	2.5	0.9
AUD	0.7168	(0.3)	(0.7)	0.8	0.7	(10.3)
INR	71.19	(0.2)	(1.0)	(1.1)	2.9	(11.5)
CNY	6.7778	0	(0.2)	1.6	2.2	(5.8)
Equity & Other indices (Δ %)						
DOW	24,706	1.4	3.0	5.9	(2.9)	(5.2)
FTSE	6,968	2.0	0.7	3.0	(1.2)	(9.9)
DAX	11,206	2.6	2.9	4.1	(3.0)	(16.6)
NIKKEI	20,666	1.3	1.5	(1.5)	(8.3)	(13.2)
Shanghai Comp	2,596	1.4	1.7	1.8	1.8	(25.6)
SENSEX	36,387	0	1.0	(0.3)	6.0	2.5
Brent (USD/bbl)	62.70	2.5	3.7	9.5	(21.4)	(8.6)
Gold (USD/oz)	1,282	(0.8)	(0.6)	3.1	4.5	(3.7)
CRB Index	414.0	0.4	0.7	0.3	(0.6)	(5.3)
Rogers Agri Index	776.4	0.3	0.6	0.5	(1)	(4.6)
LIBOR (3M)*	2.78	0	(2)	(1)	30	103
INR 5Yr Swap*	7.21	3	1	7	(49)	40
India FII data (US\$ mn)						
	17 Jan	16 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(39.8)	(135.7)	(299.8)	(347.9)	(347.9)	(7,338.5)
FII-Equity	125.0	(10.0)	43.4	(283.5)	(283.5)	(6,966.3)

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

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