

MACRO DAILY

22 January 2019

Macro developments

- IMF estimates India's GDP growth to pick up by 7.5% in FY20 vs 7.3% in FY19 (+10bps from Oct'18). This is on the back of easing oil prices and lower than expected monetary tightening due to benign inflation. GDP is expected to grow by 7.7% in FY21. However, global growth is expected to slow down to 3.5% in CY19 (-20bps revision) from 3.7% in CY18 as growth in many advanced and emerging countries declined more than anticipated in H2CY18.
- South Korea's Q4CY18 GDP rose by 1% on a QoQ basis, from 0.6% in Q3, taking the CY18 growth to 2.7% vs 3.1% in CY17. The quarterly growth was led by fiscal stimulus provided by the government towards end of the year, taking government consumption to 3.1% from 1.5% in Q3. This was to cushion the impact of slowing exports which fell from 3.9% in Q3 to (-) 2.2% in Q4CY18.
- Producer prices in Germany declined by (-) 0.4% in Dec'18 on a MoM basis vs 0.1% in Nov'18. This was the first decline since Feb'18. On a YoY basis too, PPI eased, to 2.7% in Dec'18 vs 3.3% in Nov'18, led by capital (1.4%) and non-durable consumer goods (0.5%). In CY18, reflecting lower profit margins, prices slowed to 2.6% vs 2.7% in CY17.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** With slowdown in Chinese economy, concerns surrounding US government shutdown and uncertainty over Brexit, resulted in global yields closing lower with the exception of China. However, crude prices rose by 0.1% (US\$ 63/bbl). Indian 10Y yield fell by 3bps (7.57%) over IMF upwardly revising India's GDP to 7.5% in FY20. It was trading at 7.54% today.
- Currency:** Global currencies closed mixed. CNY depreciated the most, (-0.3%) after data showed that its GDP slowed to the lowest in 28 years fuelling concerns over global growth outlook. INR also depreciated by (-) 0.1% on the back of FII outflows. It however opened higher today.
- Equity:** Shrugging off the weak data print from China and downward revision of global growth by IMF, equity indices ended higher. Shanghai Comp rose by 0.6%, followed by Sensex (0.5%) and Nikkei (0.3%). However, Dax ended lower by (-) 0.6%. The gain in domestic market was supported by DII inflow of Rs 5.2bn. Both Sensex and Asian stocks were trading lower 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	(1)	(41)	13
UK	1.32	(3)	3	0	(20)	(4)
Japan	0.01	(1)	(1)	(4)	(15)	(7)
Germany	0.26	(1)	2	1	(19)	(31)
India	7.57	(3)	14	29	(36)	31
China	3.11	1	(3)	(22)	(49)	(85)
2Y yields (Δ bps)						
US	2.61	5	8	(2)	(29)	55
UK	0.79	(2)	(3)	2	3	22
Japan	(0.17)	0	(2)	(3)	(5)	(4)
Germany	(0.58)	0	1	2	1	2
India	7.03	(1)	6	15	(60)	17
China	2.60	0	(3)	(13)	(54)	(98)
Currencies (Δ %)						
EUR	1.1365	0	(0.9)	(0.1)	(0.9)	(7.3)
GBP	1.2892	0.2	0.2	2.0	(0.5)	(7.8)
JPY	109.67	0.1	(1.4)	1.4	2.8	1.1
AUD	0.7159	(0.1)	(0.5)	1.7	1.1	(10.7)
INR	71.28	(0.1)	(0.5)	(1.6)	3.1	(11.6)
CNY	6.7980	(0.3)	(0.4)	1.6	2.2	(6.1)
Equity & Other indices (Δ %)						
DOW	24,706	1.4	3.3	10.1	(2.4)	(5.8)
FTSE	6,971	0	1.7	3.7	(1.0)	(9.7)
DAX	11,136	(0.6)	2.6	4.7	(3.4)	(17.3)
NIKKEI	20,719	0.3	0.8	2.7	(8.4)	(13.0)
Shanghai Comp	2,611	0.6	2.9	3.7	(1.7)	(25.4)
SENSEX	36,579	0.5	2.0	2.3	7.2	2.2
Brent (USD/bbl)	62.74	0.1	6.4	16.6	(21.4)	(9.1)
Gold (USD/oz)	1,280	(0.1)	(0.9)	1.9	4.8	(4.0)
CRB Index	411.3	(0.7)	(0.1)	0.1	(1.3)	(6.2)
Rogers Agri Index	776.7	0.4	0.7	2.0	(2)	(4.8)
LIBOR (3M)*	2.76	(1)	(3)	(6)	27	102
INR 5Yr Swap*	7.22	1	7	5	(48)	39
India FII data (US\$ mn)						
	18 Jan	17 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	154.7	(39.8)	(145.1)	(193.1)	(193.1)	(7,183.8)
FII-Equity	(271.1)	125.0	(227.7)	(554.5)	(554.5)	(7,237.4)

Source: Bloomberg, Bank of Baroda *Indicates change in bps | US financial markets were closed on 21.1.19

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com