


MACRO DAILY

25 January 2019

Macro developments

- Crude oil production in Dec'18 declined by (-) 4.3% on a YoY basis vs (-) 3.5% in Nov'18. On a cumulative basis too, production between Apr-Dec'18 was down by (-) 3.7% vs (-) 3.6% between Apr-Nov'18. Declining production is in line with falling international crude oil prices which eased from US\$ 65.9/bbl in Nov'18 to US\$ 57.7/bbl in Dec'18 (-10% YoY).
- Flash manufacturing PMIs of Japan (50 in Jan'19 vs 52.6 in Dec'18) and Eurozone (50.4 vs 51 in Dec'18) indicate slowing activity growth in both regions. Within Eurozone, both Germany and France reported contraction in activity in Jan'19. Across countries, slowdown was led by declining new orders, in particular new export orders. Germany's auto sector is reportedly facing the heat owing to faltering demand from China. Easing input prices however provided some respite to the manufacturers.
- ECB kept its policy rate unchanged in the latest meeting. On the growth front, the ECB changed its view and said that the risks are now tilted to the downside. This is due to uncertainties such as rising protectionism, volatility in financial markets and emerging economies as well as Brexit which have led to a slowdown in most European countries such as Germany, France and Italy in Q4CY18.

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Markets

- **Bonds:** Barring Japan and China, other global yields closed lower. US 10Y yield fell by 3bps on the back of uncertainties surrounding US-China trade deal. German 10Y yield also fell by 5bps after ECB President Draghi said that growth in the region would be weaker than expected. Indian 10Y yield softened by 2bps to close at 7.56%. It is trading higher at 7.57% today.
- **Currency:** Global currencies closed mixed. DXY strengthened by 0.5% to near 2-week high after ECB acknowledged that growth in the region is slowing down. As a result, EUR fell by (-) 0.7%. INR appreciated by 0.4% tracking gains in local equity markets. It was trading even higher today.
- **Equity:** Global indices ended lower with exception of Sensex (0.2%) and Dax (0.5%). Strong quarterly earnings of US companies could not help markets end in green, as US commerce secretary's comments on large gaps to be covered in US-China trade talks impacted the investor sentiments negatively. In line with other Asian stocks, Sensex opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.72	(3)	(3)	(2)	(40)	10
UK	1.27	(6)	(7)	0	(18)	(15)
Japan	0.01	1	1	(4)	(11)	(7)
Germany	0.18	(5)	(6)	(7)	(22)	(43)
India	7.56	(2)	1	27	(31)	25
China	3.13	0	5	(22)	(41)	(82)
2Y yields (Δ bps)						
US	2.56	(2)	0	0	(28)	48
UK	0.77	(3)	(5)	4	2	17
Japan	(0.16)	0	1	(2)	(4)	(3)
Germany	(0.58)	0	1	2	3	(2)
India	7.03	0	1	16	(56)	23
China	2.60	0	0	(16)	(50)	(98)
Currencies (Δ %)						
EUR	1.1304	(0.7)	(0.7)	(0.9)	(0.6)	(8.8)
GBP	1.3066	0	0.6	2.8	1.9	(7.6)
JPY	109.64	0	(0.3)	0.7	2.5	(0.2)
AUD	0.7094	(0.7)	(1.4)	0.6	0.2	(11.6)
INR	71.08	0.4	(0.1)	(1.3)	3.0	(11.9)
CNY	6.7885	0.1	(0.2)	1.6	2.3	(7.3)
Equity & Other indices (Δ %)						
DOW	24,553	(0.1)	0.8	12.7	(1.7)	(7.0)
FTSE	6,819	(0.3)	(0.2)	2.0	(2.6)	(10.5)
DAX	11,130	0.5	1.9	4.7	(1.6)	(16.3)
NIKKEI	20,575	(0.1)	0.8	2.0	(3.3)	(13.1)
Shanghai Comp	2,592	0.4	1.3	2.6	(0.5)	(27.0)
SENSEX	36,195	0.2	(0.5)	2.0	7.4	0.4
Brent (USD/bbl)	61.09	(0.1)	(0.1)	21.0	(20.5)	(13.2)
Gold (USD/oz)	1,281	(0.1)	(0.8)	0.9	4.0	(5.0)
CRB Index	411.4	(0.0)	(0.6)	0.2	(1.1)	(6.3)
Rogers Agri Index	775.5	(0.1)	0.2	1.8	(0)	(5.3)
LIBOR (3M)*	2.77	(1)	(1)	(4)	26	101
INR 5Yr Swap*	7.21	(1)	3	1	(43)	29
India FII data (US\$ mn)						
	23 Jan	22 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(37.6)	(14.1)	(201.2)	(394.3)	(394.3)	(7,384.9)
FII-Equity	62.8	119.1	32.0	(522.5)	(522.5)	(7,205.4)

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

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