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Bank of Baroda
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MACRO DAILY

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Macro developments

- India's manufacturing PMI rose to a 7-month high of 52.7 in Dec'19 from 51.2 in Nov'19, signalling a possible recovery. This was attributed to new orders rising at its fastest pace since Jul'19 which in turn resulted in higher production and a jump in job creation. Overall, manufacturing output improved at its fastest level in over 10-months.

- Manufacturing PMIs for Dec'19 indicate while activity continued to decline in UK (47.5 vs 49.1 in Nov1'9) and Eurozone (46.3 vs 46.9), it maintained pace in the US (52.4 vs 52.6). Rise in new business, production and employment helped the US manufacturing sector, however future business expectations remained subdued. On the other hand, new orders and production fell steeply in Eurozone and UK. Input prices rose across regions, with UK and US passing the increase in output prices as well.

- US jobless claims for the week ended 28 Dec fell marginally by 2,000 to 222,000 (est. 225,000) suggesting labour market remains buoyant. However, the 4-week moving average of initial claims rose by 4,750 to its highest since Jan'18 due to increased volatility in the holiday season.

Markets

- **Bonds:** Global yields broadly closed lower led by softening manufacturing activity globally. US 10Y yield fell by 4bps (1.88%). Oil prices rose by 0.4% (US$ 66/bbl) amidst tensions in the Middle East. India's 10Y yield closed stable at 6.5% and is trading at same level today, supported by another Rs 100bn of simultaneous OMO purchase and sale by RBI.

- **Currency:** Except JPY and CNY, other global currencies edged lower. DXY rose by 0.4% as US jobless claims fell more than expected. GBP fell by (-) 0.8% as investors await Brexit negotiations. INR depreciated by (-) 0.2% on the back of higher oil prices. In line with other Asian currencies, it is trading lower today.

- **Equity:** Most of the global indices closed higher led by optimism over US-China trade deal. Dow (1.2%) rose the most, followed by Shanghai Comp (1.1%) and FTSE (0.8%). Sensex too ended in green (0.8%) led by uptick in manufacturing PMI. Metal and capital goods stocks advanced the most. It is trading lower today in line with other Asian stocks.

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FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.88	(4)	(2)	6	34	(68)
UK	0.79	(3)	2	5	32	(40)
Japan	(0.01)	0	0	3	19	(1)
Germany	(0.22)	(4)	2	6	37	(38)
India	6.50	0	(8)	1	(11)	(92)
China	3.14	0	(2)	(7)	0	(1)
2Y yields (Δ bps)						
US	1.57	0	(6)	(3)	18	(81)
UK	0.57	2	1	2	21	(13)
Japan	(0.13)	0	(2)	3	19	1
Germany	(0.60)	0	2	1	18	1
India	5.77	1	(2)	43	13	(105)
China	2.28	(5)	(5)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1172	(0.4)	0.7	0.8	1.9	(1.9)
GBP	1.3145	(0.8)	1.2	1.6	6.6	4.1
JPY	108.57	0.2	1.0	0.4	(1.5)	(0.8)
AUD	0.6993	(0.3)	0.7	2.6	3.7	(0.2)
INR	71.38	(0.2)	(0.1)	0.4	(0.7)	(1.7)
CNY	6.9643	0	0.5	1.1	2.6	(1.3)
Equity & Other indices (Δ %)						
Dow	28,869	1.2	0.9	3.9	10.2	27.3
FTSE	7,604	0.8	(0.4)	4.4	7.4	13.6
DAX	13,386	0.4	0.6	3.2	7.7	28.5
NIKKEI	23,657	(0.8)	(0.7)	1.6	10.8	18.2
Shanghai Comp	3,085	1.1	2.6	7.3	6.2	25.2
SENSEX	41,627	0.8	1.1	2.0	9.2	17.2
Brent (US$/bbl)	66.25	0.4	(2.5)	8.7	14.8	18.4
Gold (US$/oz)	1,529	0.8	1.2	4.6	1.6	18.1
CRB Index	402.5	0.2	0.8	4.3	3.5	(2.0)
Rogers Agri Index	760.0	0.2	1.6	4.9	6.6	(0.3)
LIBOR (3M)*	1.91	0	(5)	1	(13)	(89)
INR 5Y Swap*	6.67	2	(5)	28	36	(53)
India FII data (US$ mn)	**1 Jan**	**31 Dec**	**WTD**	**MTD**	**CYTD**	**FYTD**
FII-Debt	(0.2)	(76.2)	240.1	(0.2)	(0.2)	2,943.9
FII-Equity	50.3	(276.7)	251.0	50.3	50.3	7,439.5

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

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