


MACRO DAILY

01 January 2019

Macro developments

- India's eight core output growth plummeted to a 16-month low of 3.5% in Nov'18 from 4.8% in Oct'18 led by declining output of crude oil (-3.5%) and fertilisers (-8.1%). However, on a cumulative basis, core industries rose by 5.1% in Apr-Nov'18 from 3.9% last year. Going forward, we expect industrial growth will also remain muted for Nov'18 owing to base effect.
- RBI's Financial Stability Report highlighted that banking stability indicator remained stable in Sep'18. Asset quality of SCBs improved with GNPA ratio declining from 11.5% in Mar'18 to 10.8% in Sep'18. It further projected that under the baseline scenario, GNPA ratio would come down to 10.3% by Mar'19. Domestic macro fundamentals are also expected to remain steady with real GDP and inflation projected at 7.2% & 3% in FY19 & 7.5% & 4% in FY20 respectively.
- BoK's chief reiterated that Central Bank's stance will remain accommodative in the coming months, as inflation is still below central bank's target and growth is running ~2.5% till Q3CY18 vs targeted 2.7% for CY18. Annual inflation for CY18 registered at 1.3% vs central bank's target of 2%. BoK had last increased its policy rates by 25bps to 1.75% in Nov'17, as a measure to curb fast rising household debt.

Markets

- Bonds:** Global yields closed mixed. US 10Y yields closed lower by 3bps (2.68%) amidst fear of economic slowdown. Crude prices rose by 3% to close at US\$ 54/bbl. Indian 10Y yields closed lower by 2bps (7.37%) led by buying support from PSBs. It was trading at 7.39% today.
- Currency:** Renewed optimism around US-China trade deal guided the global currencies movement. While DXY weakened by (-) 0.2%, JPY rallied (up 0.5%). EUR (0.2%) and GBP (0.4%) also gained, while AUD ended unchanged. INR ended higher by 0.3% and opened further higher today.
- Equity:** Barring Dow, global indices ended lower, led by fears of slowdown in global growth. FTSE was down by (-) 0.1%, followed by Sensex (-) 0.02%, as other indices remained closed on account of New Year. Sensex opened lower today due to lack of global cues.

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FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.68	(3)	(5)	(30)	(38)	28
UK	1.28	1	1	(9)	(25)	9
Japan	0	0	(4)	(9)	(13)	(5)
Germany	0.24	0	(1)	(7)	(18)	(19)
India	7.37	(2)	8	(24)	(62)	3
China	3.31	0	(3)	(10)	(32)	(59)
2Y yields (Δ bps)						
US	2.49	(3)	(7)	(30)	(32)	60
UK	0.75	1	2	(3)	(5)	32
Japan	(0.14)	0	0	(1)	(3)	(1)
Germany	(0.61)	0	(1)	(1)	(5)	2
India	6.86	3	(1)	(38)	(97)	25
China#	2.69	0	1	19	(28)	(114)
Currencies (Δ %)						
EUR	1.1467	0.2	0.5	1.3	(0.7)	(4.5)
GBP	1.2754	0.4	0.4	0	(1.7)	(5.5)
JPY	109.69	0.5	0.7	3.4	3.5	2.6
AUD	0.7049	0	0	(3.5)	(1.9)	(9.7)
INR	69.77	0.3	0.5	(0.3)	4.3	(9.6)
CNY	6.8785	(0.2)	0.4	1.1	(0.1)	(5.7)
Equity & Other indices (Δ %)						
DOW	23,327	1.1	7.0	(8.7)	(12.9)	(5.6)
FTSE	6,728	(0.1)	0.6	(3.6)	(10.0)	(12.5)
DAX	10,559	1.7	(0.7)	(6.5)	(13.8)	(18.3)
NIKKEI	20,015	(0.3)	(0.8)	(9.7)	(17.0)	(12.1)
Shanghai Comp	2,494	0.4	(0.9)	(4.1)	(11.6)	(24.6)
SENSEX	36,068	0	1.7	(0.3)	(1.3)	5.9
Brent (USD/bbl)	53.80	3.1	6.6	(8.4)	(36.6)	(19.5)
Gold (USD/oz)	1,282	0.1	1.0	5.1	6.6	(1.6)
CRB Index	409.2	0.1	(0.3)	(1.7)	(1.9)	(5.4)
Rogers Agri Index	759.6	0	(0.3)	(1.8)	(3)	(5.7)
LIBOR (3M)*	2.80	(1)	(2)	9	40	110
INR 5Yr Swap*	7.21	(4)	1	(32)	(47)	61
India FII data (US\$ mn)						
	28 Dec	27 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(52.1)	(23.3)	(2.6)	655.0	(6,917.1)	(7,163.1)
FII-Equity	(32.9)	224.3	46.5	475.9	(4,413.8)	(6,539.3)

Source: Bloomberg, Bank of Baroda | #1 year yield is taken, *Indicates change in bps

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