


MACRO DAILY

17 January 2019

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 255bn (on a weekly basis) and stood at Rs 21tn as on 11 Jan 2019. Overall reserve money grew by 16.8% on a YoY basis compared to 55.2% a year ago. On FYTD basis, reserve money is growing at a slower pace of 7.7% against 17.3% in the previous year.
- According to news reports, government is likely to allocate additional sum of Rs 60.8bn to MGNREGA, thereby taking the total allocation to Rs 610.8bn in FY19. Over 99% of the allocation has already been utilized and with Rs 904bn of pending liability from last year. Separately, India is also likely to overshoot its fertilizer subsidy bill in FY19 to Rs 1tn (vs BE Rs 700bn) owing to expensive imported fertilizers and previous unsettled dues.
- New home sale prices in China recorded weakest MoM gain in 8 months in Dec'18 (0.8% vs 0.9% in Nov'18). This was led by lower prices in tier-3 cities. Number of cities reporting rise in prices also fell, from 63 in Nov'18 to 59 in Dec'18, out of a total of 70 cities surveyed. On YoY basis, real estate price growth was robust at 9.7% in Dec'18 vs 5.4% in Dec'17.

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Markets

- **Bonds:** Except Japan and China, global yields closed higher. UK 10Y yield shot up by 5bps (1.31%) amidst Brexit turmoil. China's 10Y yield declined by 6bps supported by liquidity infusion measures by PBOC (560bn Yuan). Indian 10Y yield rose by 9bps (7.56%) as media reports suggested, there remains fiscal concerns in FY20 budget. It was trading at 7.57% today.
- **Currency:** Global currencies closed mixed. DXY ended flat. GBP gained 0.2% after British PM May won a no-confidence vote against her government. INR depreciated for the 4th straight session (-0.3%) on the back of higher oil prices (+1.1%). It was trading higher today after RBI relaxed ECB norms for borrowers, allowing a uniform borrowing limit of Rs 750mn in a year across various tenors.
- **Equity:** Global indices closed mixed. Dow gained 0.6% on the back of strong earnings results. FTSE & Nikkei on the other hand slipped by (-) 0.5% led by Brexit uncertainty and concerns around China's growth. Sensex closed flat. While Asian markets were trading lower, Sensex opened higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.72	1	1	(14)	(48)	13
UK	1.31	5	5	4	(26)	0
Japan	0.01	0	(2)	(3)	(14)	(8)
Germany	0.22	2	(6)	(3)	(24)	(34)
India	7.56	9	9	10	(35)	34
China	3.08	(6)	(6)	(30)	(51)	(88)
2Y yields (Δ bps)						
US	2.54	1	(1)	(15)	(35)	50
UK	0.83	2	7	9	3	26
Japan	(0.16)	(1)	(2)	(1)	(4)	(3)
Germany	(0.60)	2	(2)	1	(3)	(3)
India	7.02	3	0	4	(65)	20
China#	2.60	(2)	0	(13)	(54)	(98)
Currencies (Δ %)						
EUR	1.1392	(0.2)	(1.3)	0.4	(0.9)	(6.5)
GBP	1.2885	0.2	0.8	2.1	(1.8)	(6.8)
JPY	109.09	(0.4)	(0.9)	3.3	3.2	2.0
AUD	0.7168	(0.5)	0	(0.2)	0.8	(10.1)
INR	71.24	(0.3)	(1.1)	0.4	3.2	(11.5)
CNY	6.7568	0.1	0.9	2.0	2.5	(5.0)
Equity & Other indices (Δ %)						
DOW	24,207	0.6	1.4	2.6	(5.8)	(7.3)
FTSE	6,863	(0.5)	(0.6)	1.3	(2.7)	(11.2)
DAX	10,931	0.4	0.3	1.5	(6.7)	(17.1)
NIKKEI	20,443	(0.5)	0.1	(4.9)	(10.5)	(14.4)
Shanghai Comp	2,570	0	1.0	(1.1)	0.3	(25.4)
SENSEX	36,321	0	0.3	0.1	4.4	3.5
Brent (USD/bbl)	61.32	1.1	(0.2)	2.9	(23.4)	(11.6)
Gold (USD/oz)	1,294	0.3	0	3.8	5.8	(2.5)
CRB Index	411.2	(0.3)	(0.6)	(0.8)	(1.6)	(6.1)
Rogers Agri Index	765.4	0	(1.3)	(1.4)	(4)	(5.7)
LIBOR (3M)*	2.77	(0.6)	(1)	(3)	32	103
INR 5Yr Swap*	7.18	1	(5)	(2)	(54)	40
India** FII data (US\$ mn)						
	15 Jan	14 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(97.4)	(26.9)	(124.3)	(172.4)	(172.4)	(7,163.0)
FII-Equity	50.6	(122.2)	(71.6)	(398.5)	(398.5)	(7,081.4)

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

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