


MACRO DAILY

05 November 2018

Macro developments

- India's FX reserves for the week ending 26 Oct 2018 declined to US\$ 392bn. On a weekly basis, forex reserves declined by US\$ 1.4bn vs decline of US\$ 0.9bn last week. On CYTD basis, reserves are down by US\$ 17.3bn, compared with an accretion of US\$ 38.5bn in CYTD17. Pressure on forex reserves is in line with INR depreciation (12.3% in CYTD18).
- Global manufacturing PMI was at its 2-year low of 52.1 in Oct'18 vs 52.2 in Sep'18, signalling slower pace of expansion. This was led by weakening growth of new orders and overall output. Developed nations (on an average) outperformed emerging markets. On price front, input cost pressure continued to increase at a faster pace.
- US unemployment rate remained stable at 3.7% (lowest since 1969). The labour force participation rate increased to 62.9% in Oct'18 vs 62.7% in Sep'18. Wages also jumped at its 9-year high of 3.1% in Oct'18 vs 2.8% in Sep'18. Elsewhere, factory orders in Sep'18 also rose more than expected (0.7% vs est: of 0.3%) driven by demand for transportation equipment.

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Markets

- Bonds:** Except India, global yields closed higher. Strengthening labour market conditions drove US10Y yields higher by 8bps (3.21%). Even 2Y US yields shot up to its highest since 2008. Crude prices eased marginally (0.1% to close at US\$ 73/bbl). Indian 10Y yields declined by 4bps (7.78%) supported by RBI's OMO purchase. It was trading higher at 7.80% today.
- Currency:** Except CNY and INR, other major global currencies closed mixed. DXY gained 0.2% as payroll additions rose more than expected and wages grew at its fastest pace in over 9 years. INR posted its biggest single-day gain in over 5 years to close higher by 1.4% on the back of lower oil prices and reversal in FPI outflows. It was however trading lower today in line with other Asian currencies.
- Equity:** Global indices closed mixed as investors remained cautious ahead of the conflicting news on US-China trade deal. Dow dropped by (-) 0.4% as some tech stocks reported poor earnings. Asian indices gained, led by Shanghai Comp which was up by 2.7%. While Asian stocks were trading mixed; Sensex was trading higher today buoyed by easing up of crude prices.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	3.21	8	14	3	26	87
UK	1.49	4	11	(8)	17	23
Japan	0.13	1	2	(1)	2	7
Germany	0.43	3	8	(5)	2	6
India	7.78	(4)	(10)	(33)	2	92
China	3.55	3	0	(7)	9	(33)
2Y yields (Δ bps)						
US	2.90	6	10	3	26	130
UK	0.80	3	8	(3)	5	39
Japan	(0.13)	(1)	(1)	(2)	(2)	3
Germany	(0.62)	1	2	(8)	(3)	14
India	7.49	(6)	(12)	(42)	0	113
China#	2.83	(1)	(2)	(14)	6	(82)
Currencies (Δ %)						
EUR	1.1388	(0.2)	(0.1)	(0.8)	(1.6)	(2.3)
GBP	1.2970	(0.3)	1.1	0.2	(0.2)	(0.7)
JPY	113.20	(0.4)	(1.2)	1.2	(1.8)	0.8
AUD	0.7193	(0.2)	1.5	1.3	(2.8)	(6.7)
INR	72.44	1.4	1.4	1.2	(5.6)	(12.1)
CNY	6.8907	0.5	0.8	(0.3)	(0.9)	(4.3)
Equity & Other indices (Δ %)						
DOW	25,271	(0.4)	2.4	(5.8)	(0.8)	7.5
FTSE	7,094	(0.3)	2.2	(5.5)	(7.4)	(6.1)
DAX	11,519	0.4	2.8	(6.3)	(8.7)	(14.3)
NIKKEI	22,244	2.6	5.0	(7.7)	(1.2)	(1.3)
Shanghai Comp	2,676	2.7	3.0	(5.1)	(2.3)	(20.9)
SENSEX	35,012	1.7	5.0	(2.7)	(6.8)	4.3
Brent (USD/bbl)	72.83	(0.1)	(6.2)	(15.6)	(0.5)	20.1
Gold (USD/oz)	1,233	0	(0.1)	3.0	1.5	(3.4)
CRB Index	417.8	0	0.2	0.0	(2.3)	(3.2)
Rogers Agri Index	786.8	0.5	0.3	1.2	(3.7)	(3.6)
LIBOR (3M)*	2.58	2	6	17	24	119
INR 5Yr Swap*	7.67	(9)	3	(4)	4	141
India FII data (US\$ mn)						
	1 Nov	31 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	77.2	(96.0)	170.8	77.2	(8,384.0)	(8,630.0)
FII-Equity	127.4	(54.1)	(381.4)	127.4	(5,630.8)	(7,756.2)

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

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