

MACRO DAILY

11 December 2018

Macro developments

- Led by shortage of credit from NBFCs and higher loan rates, passenger vehicles sales declined by (-) 3.4% in Nov'18 from 1.6% in Oct'18. The robust pace of growth in commercial vehicles was also hit in Nov'18 as it decelerated by 5.7% (vs 25% in Oct'18). Growth in two-wheeler sales too slowed down as it rose by 7% compared with 17% growth in Oct'18. However, going forward with pickup in consumption demand, auto sales would revive.
- Japan's Q3CY18 GDP was revised downward from (-) 1.2% to (-) 2.5% on a YoY basis and from (-) 0.3% to (-) 0.6% on a QoQ basis. The downgrade on a quarterly basis was mainly driven by sharp revision in private capex & consumption. While natural disasters mired Q3 output, the outlook for Q4 hinges upon muted global demand, slowing profit growth and trade frictions.
- Industrial production in UK declined by (-) 0.6% on MoM basis vs est: of 0.1% increase in Oct'18. This was driven by (-) 0.9% decline in manufacturing sector vs 0.3% increase in the previous month. Trade deficit in UK also widened to £ 3.3bn in Oct'18 vs £ 2.3bn in Sep'18. This was led by faster pace of increase in imports (2.8% in Oct'18 vs -3.2% decline in Sep'18). Whereas exports grew at the same pace of 1% in Oct'18.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed. 10Y UK yields declined by 7bps (1.2%) on the back of abrupt postponement of parliamentary vote on Brexit deal. Crude prices declined by 2.8% (US\$ 60/bbl). Indian yields shot up by 12bps (7.59%) due to rising CAD in Q2FY19. It was however trading higher at 7.66% today.
- **Currency:** Global currencies closed lower as dollar strengthened (DXY ended higher by 0.7%). GBP fell sharply (down 1.3%) to close near a 20-month low after British PM delayed the parliamentary vote over Brexit. INR also depreciated by 0.7% ahead of key state election results. It was trading even lower today (down 1.6%).
- **Equity:** Barring Dow, global indices closed lower. European stock closed in red spooked by the fears of uncertainty over Brexit. Domestic index registered its biggest one day fall in 2018 due to political uncertainty. While Asian stocks were trading mixed; Sensex was trading lower due to abrupt resignation of RBI's governor and awaiting the outcome of state poll.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.86	1	(11)	(32)	(7)	48
UK	1.20	(7)	(11)	(29)	(27)	(8)
Japan	0.04	(2)	(4)	(8)	(8)	(1)
Germany	0.25	0	(6)	(16)	(16)	(6)
India	7.59	12	(4)	(18)	(57)	50
China	3.27	(4)	(11)	(22)	(38)	(67)
2Y yields (Δ bps)						
US	2.73	2	(9)	(19)	2	93
UK	0.70	(3)	(3)	(8)	(6)	20
Japan	(0.15)	0	(2)	(1)	(4)	0
Germany	(0.58)	2	3	2	(3)	16
India	7.19	7	(4)	(26)	(74)	83
China#	2.50	(3)	(5)	(39)	(35)	(128)
Currencies (Δ %)						
EUR	1.1356	(0.2)	0	0.2	(2.1)	(3.5)
GBP	1.2561	(1.3)	(1.3)	(3.2)	(3.6)	(6.2)
JPY	113.33	(0.6)	0.3	0.4	(2.0)	0.1
AUD	0.7190	(0.2)	(2.3)	(0.5)	1.1	(4.2)
INR	71.34	(0.7)	(1.2)	1.6	1.5	(10.7)
CNY	6.9117	(0.5)	(0.4)	0.6	(0.8)	(4.4)
Equity & Other indices (Δ %)						
DOW	24,423	0.1	(5.4)	(6.0)	(5.5)	0.4
FTSE	6,722	(0.8)	(4.8)	(5.4)	(7.7)	(9.1)
DAX	10,622	(1.5)	(7.4)	(7.9)	(11.4)	(19.2)
NIKKEI	21,220	(2.1)	(6.0)	(4.6)	(5.2)	(7.0)
Shanghai Comp	2,585	(0.8)	(2.6)	(0.5)	(3.2)	(21.4)
SENSEX	34,960	(2.0)	(3.5)	(0.6)	(7.8)	5.1
Brent (USD/bbl)	59.97	(2.8)	(2.8)	(14.5)	(22.5)	(5.4)
Gold (USD/oz)	1,244	0	1.1	2.9	4.1	(0.3)
CRB Index	416.8	(0.2)	(0.4)	0.6	0.8	(3.4)
Rogers Agri Index	778.3	(0.7)	(0.3)	0.4	(1)	(2.4)
LIBOR (3M)*	2.77	0	3	17	44	124
INR 5Yr Swap*	7.36	1	(23)	(30)	(31)	84
India FII data (US\$ mn)						
	7 Dec	6 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	161.0	363.0	525.2	525.2	(7,047.0)	(7,293.0)
FII-Equity	672.4	(7.5)	640.8	640.8	(4,249.0)	(6,374.5)

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com