


**MACRO DAILY**

10 December 2018

**Macro developments**

- India's CAD jumped to US\$ 19.1bn in Q2FY19 (2.9% of GDP) from US\$ 15.8bn in Q1FY19 (2.4% of GDP), led by higher trade deficit at US\$ 50bn in Q2 vs US\$ 46bn in Q1. Inflows on account of remittances and services exports accelerated in Q2. FII outflows and muted FDI inflows drove US\$ 13.2bn decline in FX reserves in H1FY19. We estimate CAD to moderate to 2.5% of GDP in FY19 from 2.7% in H1FY19 on the back of lower oil prices.
- Data released by Labour Department showed that the pace of hiring in US slowed down moderately. Total nonfarm employment increased by 155,000 in Nov'18 against expectation of 199,000. Unemployment rate however remained stable at 3.7% for 3rd month in a row. Average hourly earnings on a YoY basis grew by 3.1% in Nov'18 vs 2.3% in Nov'17.
- China's trade data for Nov'18 fell short of expectations. Exports rose by only 5.4% vs est.: 10% and 15.6% in Oct'18. Export growth to US, Europe and S. Korea slowed significantly, indicating front-loading of exports is now losing momentum. Depreciating Yuan also led to weaker import demand, as imports rose by only 3% in Nov'18 vs est.: 14.5% and 21.4% in Oct'18.

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**Markets**

- **Bonds:** Global yields closed mixed. US 10Y yields declined by 5bps (2.85%) on the back of moderate pace of hiring in US. Renewed fears of US-China trade war and OPEC & non OPEC members' decision for a production cut by 1.2mbpd from Jan'19 impacted bond markets. Crude prices edged up by 2.7% (US\$ 62/bbl). Indian yields also rose by 4bps (7.46%) in response to rising crude. It was trading even higher at 7.50% today.
- **Currency:** Global currencies closed mixed. While GBP and AUD depreciated by 0.4%, EUR and JPY closed flat. DXY ended lower by 0.3% after disappointing US jobs report raised concerns over rate hikes by Fed in 2019. INR ended higher by 0.1%. It was however trading lower today.
- **Equity:** Barring Dow and Dax, global indices closed lower with Shanghai Comp ending flat. Dow tumbled by (-)2.2% as the investors turned cautious on account of growing rift between US-China and lower than expected US jobs report. Both Asian markets and Sensex were trading lower today with Sensex losing more than 500 points in the morning session, ahead of the outcome of state elections.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.85	(5)	(14)	(39)	(9)	48
UK	1.27	2	(10)	(27)	(19)	1
Japan	0.06	(1)	(3)	(6)	(5)	0
Germany	0.25	1	(6)	(20)	(14)	(4)
India	7.46	4	(14)	(34)	(57)	41
China	3.31	(0)	(7)	(19)	(33)	(59)
<b>2Y yields (Δ bps)</b>						
US	2.71	(5)	(8)	(25)	1	91
UK	0.74	0	(4)	(8)	(3)	23
Japan	(0.14)	0	(1)	(1)	(4)	0
Germany	(0.60)	2	0	(1)	(5)	16
India	7.12	4	(11)	(41)	(74)	76
China#	2.50	(3)	(5)	(39)	(35)	(126)
<b>Currencies (Δ %)</b>						
EUR	1.1379	0	0.5	(0.4)	(1.5)	(3.3)
GBP	1.2726	(0.4)	(0.2)	(3.0)	(1.5)	(5.6)
JPY	112.69	0	0.8	0.7	(1.5)	0.4
AUD	0.7208	(0.4)	(1.3)	(0.9)	1.4	(4.0)
INR	70.81	0.1	(1.8)	3.2	1.3	(9.7)
CNY	6.8743	0.1	1.2	0.7	(0.4)	(3.9)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	24,389	(2.2)	(4.5)	(6.8)	(5.9)	0.7
FTSE	6,778	1.1	(2.9)	(4.8)	(6.9)	(7.4)
DAX	10,788	(0.2)	(4.2)	(6.8)	(9.8)	(17.3)
NIKKEI	21,679	0.8	(3.0)	(1.8)	(2.8)	(3.6)
Shanghai Comp	2,606	0	0.7	(1.3)	(3.6)	(20.4)
SENSEX	35,673	1.0	(1.4)	1.2	(7.1)	8.3
Brent (USD/bbl)	61.67	2.7	5.0	(14.4)	(19.7)	(0.9)
Gold (USD/oz)	1,249	1	2.4	1.9	4.4	0.2
CRB Index	417.7	0.3	0.4	0.1	1.4	(2.2)
Rogers Agri Index	783.8	1.1	1.3	0.2	1	(2.0)
LIBOR (3M)*	2.77	0	3	17	44	124
INR 5Yr Swap*	7.35	5	(18)	(44)	(20)	81
<b>India FII data (US\$ mn)</b>						
	<b>6 Dec</b>	<b>5 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	363.0	161.3	364.1	364.1	(7,208.0)	(7,454.0)
FII-Equity	(7.5)	(51.2)	(31.7)	(31.7)	(4,921.5)	(7,046.9)

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

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