


**MACRO DAILY**

01 November 2018

**Macro developments**

- India's rank notched up by 23 points and stood at 77 in World Bank's ease of doing business report, to become the top ranked country in South Asia. This was driven by improvement in issuing construction permits (rank at 52 vs 181), trading across borders (rank at 80 vs 146) and starting a new business (rank at 137 vs 156). The report reaffirmed India's structural reforms have started shaping favourably.
- India's Infrastructure Index in Sep'18 rose by 4.3% vs 4.7% in Aug'18. This was led by robust growth in coal, refinery products and electricity sectors. Cement sector also maintained its double digit pace (11.8% in Sep'18 vs 14.7% in Aug'18). For H1FY18, growth has been buoyant at 5.5% vs 3.2% in the same period of previous year, suggesting industrial activity is in traction.
- China's official manufacturing PMI declined to 50.2 in Oct'18 (est.: 50.6) from 50.8 in Sep'18 driven by a decline in all its sub-components. Most notably, new orders index and new export orders index contracted for the 5th consecutive month in Oct'18. Input price index on the other hand continued to grow at a faster pace, raising concerns over future profitability.

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**Markets**

- **Bonds:** Except China, global yields closed higher. Oil prices eased by 0.6%. US 10Y yields rose 2bps (3.12%) as reports suggested that pace of hiring by private companies increased in Sep'18. Japanese 10Y yield rose 1bps after BoJ kept the policy rate unchanged and cut its inflation forecast to 1.5% (year ending Mar'21). Indian 10Y yield rose by 2bps (7.85%) in line with global yields. It was however trading lower at 7.83% today.
- **Currency:** Except JPY and GBP, other major global currencies closed lower. DXY strengthened by 0.1% to hover around 18-month high on the back of strong US growth momentum. GBP (0.5%) gained on reports that a Brexit deal might be finalised by Nov'18. INR ended lower by 0.4%. It was trading higher today in line with other Asian currencies.

**Equity:** Global indices, buoyed by the US, closed higher. Nikkei (2.2%) and Sensex (1.6%) gained the most. Dow was supported by automobile and tech stocks posting major gains, and a possible trade deal between US and China. Following global cues, Sensex, in line with other Asian markets opened higher.



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

| Particulars                             | Current       | 1D            | 1W         | 1M         | 3M          | 12M         |
|---|---------------|---------------|------------|------------|-------------|-------------|
| <b>10Y yields (Δ bps)</b>               |               |               |            |            |             |             |
| US                                      | 3.14          | 2             | 4          | 6          | 14          | 76          |
| UK                                      | 1.44          | 4             | (2)        | (15)       | 6           | 11          |
| Japan                                   | 0.13          | 1             | (1)        | (1)        | 0           | 6           |
| Germany                                 | 0.39          | 2             | (1)        | (9)        | (9)         | 2           |
| India                                   | 7.85          | 2             | (2)        | (14)       | 15          | 99          |
| China                                   | 3.54          | 0             | (3)        | (9)        | 7           | (36)        |
| <b>2Y yields (Δ bps)</b>                |               |               |            |            |             |             |
| US                                      | 2.87          | 2             | 4          | 5          | 19          | 127         |
| UK                                      | 0.75          | 3             | 0          | (8)        | (4)         | 29          |
| Japan                                   | (0.12)        | 0             | (1)        | (1)        | (3)         | 4           |
| Germany                                 | (0.62)        | 1             | 0          | (8)        | (6)         | 13          |
| India                                   | 7.57          | (2)           | (1)        | (25)       | 9           | 122         |
| China#                                  | 2.84          | 2             | (5)        | (13)       | 2           | (76)        |
| <b>Currencies (Δ %)</b>                 |               |               |            |            |             |             |
| EUR                                     | 1.1312        | (0.3)         | (0.7)      | (2.3)      | (3.0)       | (2.9)       |
| GBP                                     | 1.2766        | 0.5           | (0.9)      | (2.1)      | (2.8)       | (3.9)       |
| JPY                                     | 112.94        | 0.2           | (0.6)      | 0.9        | (1.1)       | 0.6         |
| AUD                                     | 0.7073        | (0.5)         | 0.2        | (2.1)      | (4.5)       | (7.6)       |
| INR                                     | 73.96         | (0.4)         | (1.1)      | (1.4)      | (8.1)       | (14.2)      |
| CNY                                     | 6.9757        | (0.1)         | (0.5)      | (1.6)      | (2.2)       | (5.1)       |
| <b>Equity &amp; Other indices (Δ %)</b> |               |               |            |            |             |             |
| DOW                                     | 25,116        | 1.0           | 2.2        | (5.8)      | (0.9)       | 7.4         |
| FTSE                                    | 7,128         | 1.3           | 2.4        | (4.9)      | (6.9)       | (4.9)       |
| DAX                                     | 11,448        | 1.4           | 2.3        | (7.2)      | (10.1)      | (15.0)      |
| NIKKEI                                  | 21,920        | 2.2           | (0.8)      | (9.6)      | (3.6)       | (0.4)       |
| Shanghai Comp                           | 2,603         | 1.4           | 0          | (7.7)      | (7.9)       | (23.3)      |
| SENSEX                                  | 34,442        | 1.6           | 1.2        | (5.7)      | (8.2)       | 3.7         |
| Brent (USD/bbl)                         | 75.47         | (0.6)         | (0.9)      | (11.2)     | 4.3         | 23.0        |
| Gold (USD/oz)                           | 1,215         | (0.7)         | (1.5)      | 2.2        | (0.1)       | (4.5)       |
| CRB Index                               | 416.1         | 0.1           | 0.2        | 0.2        | (3.1)       | (2.7)       |
| Rogers Agri Index                       | 771.1         | 0             | (1.4)      | (0.1)      | (5.3)       | (4.9)       |
| LIBOR (3M)*                             | 2.54          | 1             | 3          | 14         | 19          | 116         |
| INR 5Yr Swap*                           | 7.72          | 4             | 6          | 3          | 10          | 149         |
| <b>India FII data (US\$ mn)</b>         |               |               |            |            |             |             |
|   | <b>30 Oct</b> | <b>29 Oct</b> | <b>WTD</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-Debt                                | 81.1          | 108.4         | 189.5      | (1,255.6)  | (8,365.3)   | (8,611.3)   |
| FII-Equity                              | (208.8)       | (245.9)       | (454.7)    | (3,698.4)  | (5,704.0)   | (7,829.5)   |

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

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