


**MACRO DAILY**

27 December 2018

**Macro developments**

- RBI reported that currency in circulation (CIC) increased by Rs 60bn (on a weekly basis) and stood at Rs 20tn as on 21 Dec 2018. Overall reserve money grew by 17% on a YoY basis compared to 55% a year ago. On FYTD basis, reserve money is growing at a slower pace of 6.3% against 15.7% in the previous year.
- Government recently tightened FDI norms for e-commerce firms. As per the new regulation, related entity can no longer sell on a platform w.e.f 1 Feb 2019. Single vendor has also been barred to sell more than 25% to one portal. These moves would create some space for the brick and mortar retailers and enable a level playing field for all sellers.
- Industrial profits in China declined by (-) 1.8% in Nov'18 on a YoY basis, from 3.6% in Oct'18. Between Jan-Nov'18 profit growth slowed to 11.8% vs 16.3% in Jan-Oct'18. The slowdown was driven by manufacturing firms where profit growth fell to 9.9% from 11.5% in the same time period. Slower credit growth, softening PPI and rising trade worries are driving the trend.

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**Markets**

- **Bonds:** Global yields closed mixed. US 10Y yields rose by 7bps (2.81%) as equity stocks rebounded from Christmas day sell off resulting in muted demand of sovereign bonds. Crude prices also surged by 8% to close at US\$ 54/bbl. Indian 10Y yields declined by 2bps (7.26%) supported by RBI's liquidity measures. It was trading at 7.30% today.
- **Currency:** Global currencies closed mixed. Dollar strengthened (DXY ended higher by 0.5%) as US equity markets rebounded after falling to near 20-month low. While JPY depreciated sharply to end lower by (-) 1%, AUD gained the most (up 0.4%). INR was trading lower today on the back of a rise in oil prices (up 8%). Asian currencies were trading mixed.
- **Equity:** Barring FTSE (-0.5%) and Shanghai Comp (-0.3%), other global indices bounced back from the growing market rout. Dow surged by 5% posting on of the biggest single-day gain in history. This was led by a report of strong holiday sales data. Both Asian markets and Sensex was trading higher in the morning session today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.81	7	5	(25)	(24)	33
UK	1.26	0	(1)	(15)	(34)	2
Japan	0.02	0	(1)	(7)	(10)	(3)
Germany	0.25	0	1	(11)	(28)	(17)
India	7.26	(2)	4	(46)	(76)	(1)
China	3.31	(1)	(5)	(10)	(33)	(59)
<b>2Y yields (Δ bps)</b>						
US	2.62	6	(3)	(22)	(21)	72
UK	0.73	0	0	(4)	(10)	28
Japan	(0.13)	2	2	1	(1)	2
Germany	(0.60)	0	0	(3)	(11)	3
India	6.83	(4)	(6)	(49)	(104)	33
China#	2.69	1	2	19	(29)	(110)
<b>Currencies (Δ %)</b>						
EUR	1.1353	(0.3)	(0.2)	0.2	(2.5)	(4.3)
GBP	1.2633	(0.3)	0.2	(1.5)	(3.4)	(5.5)
JPY	111.37	(1.0)	1.0	1.9	1.8	1.6
AUD	0.7066	0.4	(0.6)	(2.1)	(2.0)	(8.6)
INR	70.08	0.1	0.5	1.1	3.5	(9.4)
CNY	6.8854	0	0.1	0.8	0.1	(5.2)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	22,878	5.0	(1.9)	(7.2)	(13.5)	(7.5)
FTSE	6,686	(0.5)	(1.2)	(5.0)	(11.4)	(11.9)
DAX	10,634	0	(1.2)	(6.3)	(14.5)	(18.7)
NIKKEI	19,327	0.9	(7.9)	(11.4)	(18.8)	(15.6)
Shanghai Comp	2,498	(0.3)	(2.0)	(3.0)	(10.5)	(24.4)
SENSEX	35,650	0.5	(2.3)	0.8	(1.9)	4.8
Brent (USD/bbl)	54.47	7.9	(4.8)	(9.9)	(33.3)	(18.7)
Gold (USD/oz)	1,267	(0.1)	1.9	3.7	7.1	(1.2)
CRB Index	410.7	0.0	(0.5)	(0.6)	(1.4)	(5.1)
Rogers Agri Index	756.4	(0.7)	(2.1)	(1.1)	(2)	(5.8)
LIBOR (3M)*	2.81	0	2	11	42	113
INR 5Yr Swap*	7.15	(6)	0	(39)	(63)	57
<b>India FII data (US\$ mn)</b>						
	<b>24 Dec</b>	<b>23 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	79.6	96.9	79.6	737.2	(6,835.0)	(7,080.9)
FII-Equity	(124.4)	1.0	(124.4)	305.0	(4,584.8)	(6,710.2)

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

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