


**MACRO DAILY**

28 November 2018

**Macro developments**

- In an effort to address durable liquidity needs of the system, RBI continued its OMO purchase announcement worth Rs 400bn in Dec'18. In FYTD19, OMO purchase worth Rs 1.36 tn has already been announced. This has been in the wake of deficit liquidity in the system which as on 27 Nov 2018 swelled to Rs 1tn versus Rs 992bn in the previous month.
- Industrial profits in China slowed for the sixth consecutive month in Oct'18 (3.6%) vs 4.1% in Nov'18. Between Jan-Oct'18 profit growth fell to 13.6% vs 14.7% between Jan-Sep'18. Apart from an unfavourable base, weak domestic demand & high borrowing cost impacted the earnings. Positive contribution were made by steel, oil, building material & chemical industries, as government decided to ease anti-smog restrictions to support growth.
- Driven by weaker expectations for the economy, US consumer confidence dipped to an 18-year low of 135.7 in Nov'18 vs 137.9 in Oct'18. Despite the dip, the confidence remained strong led by sturdy job market as unemployment fell to a 5-year low of 3.7%. The future outlook though is grim on the back of the recent volatility in the stock market and the escalation tensions between US and China.

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**Markets**

- **Bonds:** Global yields closed mixed. US 10Y yields remained stable at 3.06% as Fed vice chairman reiterated that fund rate is moving closer to neutrality. Crude prices declined marginally by 0.4% (US\$ 60/bbl). Indian 10Y yields remained stable at 7.73%. It was trading lower at 7.69% today supported by RBI's announcement of OMO purchase worth Rs 400bn in Dec'18.
- **Currency:** Except AUD and INR which closed higher, other currencies closed lower on the back of lingering trade war fears between US and China ahead of the G-20 meet. DXY ended higher by 0.3% to close at a 2-week high. Asian currencies were trading mixed, while INR was trading lower in the morning session today.
- **Equity:** Global indices closed mixed as investors awaited further clarity on probable implications of Brexit and US-China trade deal, as the focus turned towards G20 meet. Sensex gained by 0.4% led by DII inflow of Rs 0.3bn. While Asian stocks was trading mixed; Sensex was trading higher today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	3.06	0	(1)	(2)	18	73
UK	1.39	(2)	1	1	(6)	14
Japan	0.09	0	(1)	(2)	(1)	5
Germany	0.35	(1)	0	0	(3)	1
India	7.73	0	(6)	(14)	(16)	68
China	3.41	0	2	(14)	(23)	(59)
<b>2Y yields (Δ bps)</b>						
US	2.83	0	3	3	17	109
UK	0.78	0	7	6	5	32
Japan	(0.14)	0	0	(2)	(3)	3
Germany	(0.58)	(1)	1	5	0	13
India	7.32	0	(2)	(29)	(28)	93
China#	2.50	(3)	(4)	(35)	(38)	(113)
<b>Currencies (Δ %)</b>						
EUR	1.1289	(0.3)	(0.7)	(1.0)	(3.5)	(5.1)
GBP	1.2747	(0.6)	(0.3)	(0.6)	(1.0)	(4.3)
JPY	113.79	(0.2)	(0.9)	(1.7)	(2.3)	(2.4)
AUD	0.7225	0.1	0.2	1.9	(1.5)	(5.0)
INR	70.79	0.1	0.9	3.6	(1.0)	(9.7)
CNY	6.9515	(0.2)	(0.1)	(0.1)	(2.2)	(5.3)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	24,749	0.4	1.2	0.2	(5.0)	5.0
FTSE	7,017	(0.3)	1.0	1.1	(7.9)	(5.0)
DAX	11,309	(0.4)	2.2	1.0	(9.7)	(13.0)
NIKKEI	21,952	0.6	1.7	3.6	(3.8)	(2.4)
Shanghai Comp	2,575	0	(2.7)	(0.9)	(7.3)	(22.5)
SENSEX	35,513	0.4	0.1	6.5	(8.7)	5.3
Brent (USD/bbl)	60.21	(0.4)	(3.7)	(22.4)	(20.7)	(5.7)
Gold (USD/oz)	1,215	(0.6)	(0.5)	(1.5)	1.2	(6.1)
CRB Index	416.5	0.3	(0.1)	(0.1)	1.0	(3.4)
Rogers Agri Index	763.3	(0.2)	(0.6)	(2.7)	(1.7)	(5.5)
LIBOR (3M)*	2.68	(1)	5	19	37	122
INR 5Yr Swap*	7.49	(4)	(9)	(15)	(2)	105
<b>India FII data (US\$ mn)</b>						
	<b>26 Nov</b>	<b>22 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(141.2)	149.7	(141.2)	883.8	(7,577.5)	(7,823.4)
FII-Equity	181.7	237.8	181.7	463.2	(5,295.0)	(7,420.5)

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

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