

**MACRO DAILY**

26 November 2018

**Macro developments**

- India's forex reserves for the week ending 16 Nov 2018 rose marginally to US\$ 394bn. On a weekly basis, forex reserves increased by US\$ 569mn as against a decline of US\$ 121mn seen in the previous week. On CYTD basis, reserves are down by US\$ 16bn compared with an accretion of US\$ 39bn in the same period last year. INR has depreciated by 10% in the same period. However, it started appreciating lately (5% on MTD basis).
- Flash manufacturing PMI indicates activity across developed economies (US, Japan, Eurozone, Germany & France) slowed in Nov'18 compared to Oct'18. In Japan and Eurozone, easing new orders, dampened by weak global growth momentum, domestic demand and export growth led to the slowdown. In the US, it was mainly slower rate of inventory accumulation.
- Germany's economy contracted by (-) 0.2% in Q3CY18 on QoQ basis compared with 0.5% in Q2CY18, in line with anticipation. The slowdown was led by weaker exports of goods and services which declined by (-) 0.9% compared with an increase of 0.8% in Q2CY18. Further, fall in the consumption spending from 0.5% to (-) 0.1% owing to the slowdown in auto purchases also contributed to the decline.

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**Markets**

- Bonds:** Barring Japan (which closed steady) and China, global yields closed lower. This was driven by 6% slump in crude prices to close at a more than 1-year low of US\$ 59/bbl. This is led by surging supplies and prospects of slowdown in global growth. Indian 10Y yields closed lower by 8bps (7.71%) in the truncated week. It was trading flat in today's session.
- Currency:** Except INR, other major currencies closed lower. DXY strengthened by 0.2% on the back of heightened concerns over global growth. INR strengthened for the eight straight session to end higher by 1.1% as oil prices slid below US\$ 60/bbl. It opened further higher today, in line with other Asian currencies.
- Equity:** Barring Dax and Nikkei, global indices closed lower as investors remained cautious about the upcoming G-20 summit, as the focus shifted back to the US-China's trade relations. Shanghai Comp (-2.5%) dropped the most amongst other global indices. 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	3.04	(2)	(2)	(6)	23	72
UK	1.38	(5)	(3)	(8)	10	13
Japan	0.10	0	0	(4)	(0)	8
Germany	0.34	(3)	(3)	(6)	(0)	(1)
India	7.71	(8)	(11)	(16)	(16)	72
China	3.42	2	5	(15)	(22)	(60)
<b>2Y yields (Δ bps)</b>						
US	2.81	(0)	1	(2)	19	108
UK	0.74	(3)	2	(1)	2	29
Japan	(0.14)	0	0	(3)	(3)	5
Germany	(0.58)	(0)	1	4	2	12
India	7.31	(3)	(8)	(27)	(26)	91
China#	2.50	(3)	(5)	(39)	(35)	(113)
<b>Currencies (Δ %)</b>						
EUR	1.1337	(0.6)	(0.7)	(0.5)	(2.5)	(4.3)
GBP	1.2814	(0.5)	(0.2)	(0.5)	(0.2)	(3.7)
JPY	112.96	(0.0)	(0.1)	(0.6)	(1.5)	(1.6)
AUD	0.7233	(0.3)	(1.4)	2.5	(1.3)	(5.1)
INR	70.70	1.1	1.7	3.4	(1.1)	(9.5)
CNY	6.9485	(0.2)	(0.2)	(0.1)	(2.0)	(5.5)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	24,286	(0.7)	(4.4)	(1.2)	(5.8)	3.2
FTSE	6,953	(0.1)	(0.9)	(0.1)	(8.2)	(6.3)
DAX	11,193	0.5	(1.3)	0.0	(9.7)	(14.0)
NIKKEI	21,647	0.6	(0.2)	(2.0)	(4.2)	(3.9)
Shanghai Comp	2,579	(2.5)	(3.7)	(0.9)	(5.5)	(23.0)
SENSEX	34,981	(0.6)	(1.3)	2.8	(8.6)	4.1
Brent (USD/bbl)	58.80	(6.1)	(11.9)	(22.8)	(22.4)	(7.5)
Gold (USD/oz)	1,223	(0.5)	(0.0)	(0.9)	1.5	(5.3)
CRB Index	416.8	(0.3)	(0.0)	0.3	1.1	(3.3)
Rogers Agri Index	767.2	(0.5)	(0.9)	(1.9)	(1.9)	(5.8)
LIBOR (3M)*	2.69	0	4	18	37	123
INR 5Yr Swap*	7.53	0	(9)	(12)	0	108
<b>India FII data (US\$ mn)</b>						
	<b>20 Nov</b>	<b>19 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(5.1)	(9.1)	(14.3)	875.2	(7,586.0)	(7,832.0)
FII-Equity	(679.6)	146.7	(533.0)	43.7	(5,714.4)	(7,839.9)

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

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