

MACRO DAILY

22 November 2018

Macro developments

- RBI reported that currency in circulation (CIC) declined by Rs 69.5bn (on a weekly basis) and stood at Rs 20tn as on 16 Nov 2018. Overall reserve money grew by 17.6% on a YoY basis compared to 15.7% a year ago. On FYTD basis, reserve money is growing at a slightly slower pace of 5.9% against 14.6% in the previous year.
- OECD in its latest Economic Outlook has revised downward global growth projection to 3.5% in 2019 as against earlier estimation of 3.7%. This was primarily due to downside risks persisting from trade disputes and higher global interest rates. Growth forecasts of major economies such as Euro area, Japan, China and India have also been trimmed down.
- Various macro data prints of US showed mixed picture. Durable goods orders marked its biggest decline in the past 15 months and shrank by (-) 4.4% vs (-) 0.1% in Sep'18. Business investment also remained weaker for 3rd month in a row. However, existing home sales posted their first monthly increase in the last 6 months and was at 5.22mn vs 5.15mn in Sep'18. Jobless claims rose to 224,000 in the week ending 17 Nov 2018 vs previous week's level of 221,000.

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Markets

- **Bonds:** Global yields closed mixed. US 10Y yields closed flat at 3.06% amid speculation of fed fund rate moving towards neutral rates. Oil prices edged up by 1.5% (US\$ 63/bbl) despite rising US inventories. Indian 10Y yields remained stable at 7.79% in the truncated trading week. It was trading further lower at 7.76% today.
- **Currency:** Except GBP and JPY, other major global currencies closed higher on the back of weaker dollar. DXY ended lower by 0.1% as concerns prevail over muted global growth and US moving closer to neutral rates. INR appreciated by 0.3% to close at 71.46/USD on the back of resurgent FII inflows (US\$ 137.5mn). It was also trading higher at 71.12/USD today.
- **Equity:** Equity markets closed mixed. Several factors such as muted global growth, developments over Brexit and uncertainty over Fed fund rate hike impacted market sentiments. Sensex closed lower by 0.8%. While Asian stocks were trading mixed today, Sensex opened higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	3.06	0	(6)	(14)	24	71
UK	1.40	1	(11)	(13)	12	12
Japan	0.10	(1)	(2)	(6)	0	6
Germany	0.38	3	(2)	(7)	3	3
India	7.79	0	3	(14)	(4)	90
China	3.39	0	(4)	(22)	(25)	(61)
2Y yields (Δ bps)						
US	2.81	1	(5)	(9)	22	104
UK	0.74	3	(5)	(3)	2	24
Japan	(0.14)	0	0	(3)	(3)	6
Germany	(0.58)	1	(1)	1	1	14
India	7.34	0	(7)	(29)	(23)	99
China#	2.53	(2)	(7)	(38)	(40)	(111)
Currencies (Δ %)						
EUR	1.1384	0.1	0.7	(0.7)	(1.8)	(3.0)
GBP	1.2778	(0.1)	(1.6)	(1.4)	(1.0)	(3.5)
JPY	113.06	(0.3)	0.5	(0.2)	(2.3)	(0.5)
AUD	0.7263	0.7	0.4	2.6	(1.2)	(4.2)
INR	71.46	0.3	1.7	2.9	(2.3)	(10.1)
CNY	6.9270	0.3	0.3	0.3	(1.2)	(4.5)
Equity & Other indices (Δ %)						
DOW	24,465	0	(2.5)	(3.4)	(4.9)	3.7
FTSE	7,050	1.5	0.2	0.1	(6.9)	(4.9)
DAX	11,244	1.6	(1.5)	(2.4)	(9.2)	(14.6)
NIKKEI	21,508	(0.4)	(1.6)	(4.9)	(3.8)	(4.1)
Shanghai Comp	2,652	0.2	0.7	(0.1)	(2.3)	(22.3)
SENSEX	35,200	(0.8)	0.2	3.1	(8.1)	5.1
Brent (USD/bbl)	63.48	1.5	(4.0)	(20.5)	(15.1)	1.5
Gold (USD/oz)	1,226	0.4	1.3	0.3	2.5	(4.3)
CRB Index	415.2	0.2	(0.3)	(0.9)	0.4	(3.1)
Rogers Agri Index	771.0	0.4	(0.2)	(2.3)	(2.6)	(4.9)
LIBOR (3M)*	2.65	0	2	17	34	120
INR 5Yr Swap*	7.57	0	(1)	(13)	9	114
India FII data (US\$ mn)						
	19 Nov	16 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(9.1)	148.4	(9.1)	880.4	(7,580.9)	(7,826.8)
FII-Equity	146.7	119.0	146.7	723.4	(5,034.8)	(7,160.3)

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

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