


MACRO DAILY

18 December 2018

Macro developments

- As per news reports, government is expected to meet its disinvestment target of Rs 800bn for FY19. So far, Rs 340bn have been collected as disinvestment receipts and another Rs 150 is estimated from PFC-REC deal and Rs 70bn from SJVN-NTPC deal. Centre's Bharat-22 ETF will fetch another Rs 100bn. The remaining amount will be met through IPOs of Mazagaon Docks, RVNL, IRFC and MSTC; buyback of shares of state-owned companies (Rs 120-150bn).
- Cabinet office of Japan has slashed its growth and inflation forecast on the back of natural disaster and trade war concerns. The economy is projected to grow by 0.9% in fiscal 2018, down from its earlier forecast of 1.5%. In fiscal 2019, growth is estimated at 1.3%, down from 1.5% earlier. Inflation will be muted at 1.1% vs earlier forecast of 1.5% in fiscal 2019.
- Euro Area's CPI slowed to 1.9% in Nov'18 (est.: 2%) from 2.2% in Oct'18 on a YoY basis. This was led by lower energy prices. Core inflation (excl. energy and unprocessed food) eased to 1.1% from 1.2% in Oct'18. Separately, Euro Area exports rose by 11.4% while imports rose 14.8% in Oct'18. Trade surplus thus narrowed to € 14bn from € 17.8bn in Oct'17.

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Markets

- **Bonds:** Except US and Germany, global yields closed higher. US 10Y yield declined by 3bps (2.86%) ahead of the FOMC meeting. Crude prices declined by 1.1% (US\$ 60/bbl) driven by rising US inventories and forecast of record shale output by EIA. Indian 10Y yield closed higher by 2bps (7.46%) due to selling pressure from foreign & private banks. It was trading lower at 7.43% today.
- **Currency:** All major currencies closed higher. Dollar eased (DXY closed lower by 0.4%) ahead of the Fed policy meet as investors await further guidance on future rate hikes amidst slowing growth. INR appreciated by 0.5% on the back of a reversal in FPI outflows. It was trading even higher today, in line with other Asian currencies.
- **Equity:** Global indices closed mixed ahead of anticipation of rate hike by Fed, with Dow tumbling by (-) 2.1%. European indices too ended in red led by cooling off fears of global growth as indicated by softer Chinese and European data print. Both Asian markets and Sensex were trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.86	(3)	0	(21)	(13)	50
UK	1.27	3	7	(15)	(27)	12
Japan	0.04	1	0	(6)	(8)	(1)
Germany	0.26	0	1	(11)	(20)	(5)
India	7.46	2	(13)	(36)	(64)	33
China	3.38	1	11	2	(28)	(51)
2Y yields (Δ bps)						
US	2.69	(4)	(4)	(11)	(9)	86
UK	0.74	1	3	1	(8)	29
Japan	(0.15)	0	(1)	(1)	(5)	0
Germany	(0.61)	0	(3)	(2)	(8)	11
India	6.98	0	(21)	(40)	(106)	58
China#	2.50	(3)	(5)	(39)	(35)	(128)
Currencies (Δ %)						
EUR	1.1348	0.4	0	(0.6)	(2.9)	(3.4)
GBP	1.2624	0.3	0.5	(1.6)	(4.1)	(5.2)
JPY	112.83	0.5	0.4	0	(0.9)	(0.2)
AUD	0.7179	0.1	(0.2)	(2.1)	0	(6.1)
INR	71.56	0.5	(0.3)	0.5	1.3	(11.7)
CNY	6.8972	0.2	0.2	0.6	(0.6)	(4.4)
Equity & Other indices (Δ %)						
DOW	23,593	(2.1)	(3.4)	(7.2)	(9.5)	(4.3)
FTSE	6,773	(1.1)	0.8	(3.4)	(7.2)	(9.6)
DAX	10,772	(0.9)	1.4	(5.0)	(10.9)	(17.8)
NIKKEI	21,507	0.6	1.4	(0.8)	(6.9)	(4.6)
Shanghai Comp	2,598	0.2	0.5	(3.0)	(2.0)	(20.5)
SENSEX	36,270	0.9	3.7	2.3	(3.5)	8.4
Brent (USD/bbl)	59.61	(1.1)	(0.6)	(10.7)	(23.6)	(5.7)
Gold (USD/oz)	1,246	0.6	0.1	1.8	3.7	(0.8)
CRB Index	414.4	(0.1)	(0.6)	(0.6)	0.9	(3.7)
Rogers Agri Index	776.7	(0.1)	(0.2)	0.3	1.7	(2.3)
LIBOR (3M)*	2.77	(3)	0	13	43	116
INR 5Yr Swap*	7.20	(1)	(16)	(42)	(50)	63
India** FII data (US\$ mn)						
	14 Dec	13 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	12.1	122.5	(297.2)	227.9	(7,344.2)	(7,590.2)
FII-Equity	106.3	57.8	(191.5)	449.3	(4,440.5)	(6,566.0)

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

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