


MACRO DAILY

19 November 2018

Macro developments

- India's FX reserves for the week ending 9 Nov 2018 declined to US\$ 393bn. On a weekly basis, forex reserves declined by US\$ 121mn compared with an increase of US\$ 1.1bn. On CYTD basis, reserves are down by US\$ 16.4bn, compared with an accretion of US\$ 39bn in the same period last year. INR has depreciated by 11.2% in the same period.
- US industrial production grew sequentially by 0.1% in Oct'18, slightly lower than its estimated growth and previous month's level of 0.2%. Notably, manufacturing sector grew for the 5th consecutive month by 0.3% in Oct'18. Capacity utilization stood at 78.4% which was 1.4% points below its long-run (1972–2017) average.
- Euro Area inflation rose in line with market expectations, by 2.2% in Oct'18 from 2.1% in Sep'18. The uptick was led by higher prices of energy goods (10.7% in Oct'18 vs 9.5% in Sep'18), services (1.5% in Oct'18 vs 1.3% in Sep'18) and non-energy industrial goods (0.4% in Oct'18 vs 0.3% in Sep'18). Core CPI too rose by 1.1% in Oct'18 from 0.9% in Sep'18.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yields closed lower by 5bps (3.06%) as Fed vice chairman said that central bank is getting closer to neutral rate. Crude prices edged up by 0.2% to close at US\$ 67/bbl as Saudi Arabia is pushing for an output cut to all other OPEC members. Indian 10Y yields closed higher by 6bps (7.82%) ahead of RBI board meeting. It was trading even higher at 7.83% today.
- Currency:** Barring CNY which closed flat, other global currencies closed higher. DXY ended lower by 0.5% after Fed officials expressed caution over a slowdown in global growth, thus denting confidence over future rate hikes. INR closed higher (0.1%) on the back of a reversal in FPI outflows. It however opened lower today, while Asian currencies were trading mixed.
- Equity:** Global indices closed mixed led by uncertainties looming over the possible trade deal & Brexit, along with persisting worries over global growth. While Nikkei (-0.6%) lost the most amongst other indices, Sensex outperformed and gained by 0.6%. Asian stocks were trading mixed; while Sensex was trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	3.06	(5)	(12)	(14)	20	69
UK	1.41	4	(8)	(16)	18	10
Japan	0.10	(1)	(2)	(4)	1	5
Germany	0.37	1	(4)	(9)	6	(1)
India	7.82	6	5	(9)	(4)	75
China	3.36	(5)	(13)	(23)	(29)	(58)
2Y yields (Δ bps)						
US	2.80	(5)	(12)	(9)	19	109
UK	0.72	2	(6)	(8)	2	22
Japan	(0.14)	(1)	(0)	(2)	(1)	5
Germany	(0.59)	1	1	(1)	7	12
India	7.38	(1)	(7)	(29)	(18)	103
China#	2.55	0	(12)	(31)	(33)	(108)
Currencies (Δ %)						
EUR	1.1415	0.8	0.7	(0.7)	(0.2)	(3.0)
GBP	1.2834	0.5	(1.1)	(2.1)	0.7	(2.7)
JPY	112.83	0.7	0.9	(0.2)	(2.1)	0.2
AUD	0.7332	0.8	1.5	3.1	0.3	(3.4)
INR	71.93	0.1	0.8	2.3	(2.5)	(10.1)
CNY	6.9380	0	0.3	(0.2)	(0.9)	(4.6)
Equity & Other indices (Δ %)						
DOW	25,413	0.5	(2.2)	(1.1)	(1.0)	8.3
FTSE	7,014	(0.3)	(1.3)	(0.6)	(7.2)	(5.1)
DAX	11,341	(0.1)	(1.6)	(3.2)	(7.1)	(13.1)
NIKKEI	21,680	(0.6)	(2.6)	(5.1)	(2.6)	(3.0)
Shanghai Comp	2,679	0.4	3.1	4.6	0.4	(21.2)
SENSEX	35,457	0.6	0.8	1.9	(6.6)	7.1
Brent (USD/bbl)	66.76	0.2	(4.9)	(16.6)	(7.1)	8.8
Gold (USD/oz)	1,223	0.8	1.1	0.1	3.3	(4.3)
CRB Index	415.2	0.2	0.2	(0.6)	0.4	(3.1)
Rogers Agri Index	774.5	0	(0.1)	(2.9)	(3.8)	(4.2)
LIBOR (3M)*	2.64	1	2	19	33	120
INR 5Yr Swap*	7.62	4	(4)	(10)	14	111
India FII data (US\$ mn)						
	15 Nov	14 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	51.8	138.8	69.0	741.1	(7,720.1)	(7,966.1)
FII-Equity	265.2	24.6	746.5	457.7	(5,300.4)	(7,425.9)

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

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