


MACRO DAILY

14 December 2018

Macro developments

- Recent data published by IRDAI showed that the number of life insurance policies sold in Nov'18 declined by (-) 2.2% versus an increase of 0.4% in Oct'18. This was on account of high base (30% growth in Nov'17). Gross direct premium of non-life insurance which comes with a lag, also rose at a moderate pace of 6% in Oct'18 versus 9% in Sep'18.
- ECB in its latest meeting kept policy rates unchanged. It also ended its quantitative easing program which began in Mar'15, thus putting a halt to the € 2.6tn (US\$ 3tn) stimulus. On growth front, ECB president highlighted that downside risks persist with regard to US-China trade war, Brexit issues and Italian government's dispute with Brussels.
- China's macro prints showed signs of cooling. Retail sales in Nov'18 rose at its weakest pace since 2003 (by 8.1% vs 8.6% in Oct'18 & est.: 8.8%), while industrial output cooled to 5.4% in Nov'18 vs 5.9% in Oct'18. Property sales growth also slowed to 1.4% between Jan-Nov'18 vs 2.2% between Jan-Oct'18. The only silver lining was provided by FAI, which rose by 5.8% between Jan-Nov'18 vs 5.7 in Jan-Oct'18, driven by overall infra spending.

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Markets

- **Bonds:** Except China, global yields remained broadly stable ahead of Fed's upcoming monetary policy meeting and post ECB's decision to end its bond buying program by end of Dec'18. China's weaker than expected economic data and Central Bank Governor's comment admitting the economy is facing downward pressures, sent its 10Y bond yield shooting up (7bps). Indian 10Y yields opened higher (7.44%) ahead of the WPI data today.
- **Currency:** Global currencies closed mixed. GBP appreciated by 0.1% as focus shifted to the EU council meeting. INR reversed its losses to close higher by 0.5% supported by lower oil prices and softening inflation. It was however trading lower today tracking losses in other Asian currencies.
- **Equity:** Barring European stocks, global indices closed higher with easing up of US & China trade tensions. ECB's halt to the bond buying resulted in underperforming of European indices. Asian stocks were trading lower today led by muted China data. Sensex was trading higher as investors shifted their focus towards likely announcement of pro-growth measures in the upcoming RBI board meet.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.91	0	2	(23)	(6)	57
UK	1.29	1	4	(23)	(22)	7
Japan	0.06	0	(1)	(6)	(6)	1
Germany	0.29	1	5	(12)	(14)	(3)
India	7.41	0	(2)	(35)	(73)	24
China	3.35	7	4	(13)	(33)	(59)
2Y yields (Δ bps)						
US	2.76	(1)	0	(13)	1	99
UK	0.77	2	3	(3)	(3)	29
Japan	(0.14)	(1)	(1)	(1)	(4)	1
Germany	(0.58)	(2)	4	(1)	(4)	16
India	6.98	(6)	(10)	(43)	(100)	59
China#	2.50	(3)	(5)	(39)	(35)	(128)
Currencies (Δ %)						
EUR	1.1361	(0.1)	0	0.6	(2.8)	(3.9)
GBP	1.2643	0.1	(1.1)	(2.6)	(3.5)	(5.8)
JPY	113.63	(0.3)	(0.8)	0.2	(1.5)	(1.0)
AUD	0.7227	0.1	(0.1)	0.1	0.4	(5.4)
INR	71.69	0.5	(1.1)	1.4	0.7	(11.3)
CNY	6.8816	0	0	1.1	(0.5)	(4.0)
Equity & Other indices (Δ %)						
DOW	24,597	0.3	(1.4)	(2.7)	(5.9)	0
FTSE	6,878	0	2.6	(2.5)	(5.5)	(8.3)
DAX	10,925	0	1.1	(4.8)	(9.4)	(16.8)
NIKKEI	21,816	1.0	1.5	0	(4.4)	(4.1)
Shanghai Comp	2,634	1.2	1.1	(0.8)	(2.0)	(20.3)
SENSEX	35,930	0.4	1.7	2.2	(4.7)	8.7
Brent (USD/bbl)	61.45	2.2	2.3	(6.1)	(21.4)	(1.6)
Gold (USD/oz)	1,242	0	0.3	3.3	3.4	(1.1)
CRB Index	416.2	0.2	(0.1)	0.6	1.6	(3.0)
Rogers Agri Index	781.4	0	0.8	1.5	2	(1.4)
LIBOR (3M)*	2.77	1	3	17	44	124
INR 5Yr Swap*	7.24	0	(6)	(40)	(47)	61
India FII data (US\$ mn)						
	12 Dec	11 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(213.2)	(16.4)	(431.8)	93.4	(7,478.8)	(7,724.8)
FII-Equity	(204.5)	(402.7)	(355.6)	285.2	(4,604.6)	(6,730.1)

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

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