


**MACRO DAILY**

16 November 2018

**Macro developments**

- India's exports rose by 17.9% in Oct'18 after a decline of (-) 2.2% in Sep'18. Imports also rose by 17.6% in Oct'18 (10.5% in Sep'18) on the back of higher oil imports (52.6%). As a result, trade deficit widened to US\$ 17.1bn in Oct'18 from US\$ 14bn in Sep'18. For FYTD19, trade deficit is at US\$ 112.8bn. The recent fall in oil prices will ensure that trade deficit does not increase to the extent seen in FYTD19.
- Retail sales in US grew by 0.8% on a MoM basis in Oct'18 (est.: 0.5%) vs (-) 0.1% in Sep'18. This was driven by recovery in spending post hurricane Florence and higher gasoline prices. Elsewhere, jobless claims unexpectedly rose to 216,000 for the week ending 10 Nov 2018 vs 214,000 last week.
- Indonesia and Philippines raised their benchmark interest rates by 25bps to 6% and 4.75% respectively, driven by looming Fed rate hike, higher domestic inflation and rising foreign funds outflows. Inflation in Indonesia was at 3.2% in Oct'18 vs targeted 2.5-4.5%, and in Philippines at 6.7% in Oct'18 vs targeted 2-4%. Cumulatively, both Indonesia and Philippines have increased rates by 175bps in CYTD18.

**BOB Economics Research**

+91 22 6698 5713

chief.economist@bankofbaroda.com

**Markets**

- **Bonds:** Global yields closed mixed amidst ongoing trade spat between US & China. Due to uncertainty around Brexit, investors preferred moving towards safer assets, resulting in lower UK 10Y yield (13bps). Crude edged up by 0.8% (US\$ 67/bbl). Indian 10Y yields closed higher by 2bps (7.76%) driven by selling from foreign & private banks and mutual funds. It was even trading higher at 7.78% today.
- **Currency:** Barring GBP, global currencies closed higher. GBP depreciated sharply (down 1.9%), to post its biggest single day decline in two years after the resignation of UK's Brexit minister heightened uncertainty around Brexit. DXY ended 0.1% higher. INR opened higher today while Asian currencies were trading mixed.
- **Equity:** Global indices closed mixed as uncertainties pertaining to Brexit kept investors cautious. Further, possibility of better trade deal between US-China re-surfaced ahead of the G20 meet. While Shanghai Comp was the biggest gainer (1.4%), Dax (-0.5%) lost the most amongst global indices. Asian stocks were trading mixed, while Sensex opened higher today.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	3.11	(1)	(13)	(5)	24	79
UK	1.37	(13)	(19)	(24)	13	9
Japan	0.11	0	(1)	(4)	1	6
Germany	0.36	(4)	(10)	(13)	4	(2)
India	7.76	2	(4)	(12)	(11)	74
China	3.41	(2)	(9)	(17)	(20)	(56)
<b>2Y yields (Δ bps)</b>						
US	2.85	(1)	(11)	(1)	24	117
UK	0.71	(8)	(14)	(11)	0	23
Japan	(0.13)	1	0	(2)	(2)	5
Germany	(0.59)	(2)	(1)	(3)	5	12
India	7.39	5	(8)	(21)	(17)	102
China#	2.55	(5)	(15)	(30)	(33)	(108)
<b>Currencies (Δ %)</b>						
EUR	1.1328	0.2	(0.3)	(2.1)	(0.4)	(3.9)
GBP	1.2774	(1.7)	(2.2)	(3.1)	0.5	(3.0)
JPY	113.64	0	0.4	(1.2)	(2.5)	(0.7)
AUD	0.7277	0.6	0.3	1.9	0.2	(4.1)
INR	71.98	0.5	1.4	2.0	(2.6)	(10.4)
CNY	6.9392	0.2	(0.1)	(0.4)	(0.8)	(4.8)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,289	0.8	(3.4)	(2.0)	(1.1)	8.7
FTSE	7,038	0.1	(1.4)	(0.3)	(6.9)	(4.5)
DAX	11,354	(0.5)	(1.5)	(3.6)	(7.2)	(12.5)
NIKKEI	21,804	(0.2)	(3.0)	(3.3)	(1.8)	(1.0)
Shanghai Comp	2,668	1.4	1.2	4.8	(1.4)	(21.6)
SENSEX	35,261	0.3	0.8	0.3	(6.4)	7.6
Brent (USD/bbl)	66.62	0.8	(5.7)	(18.2)	(6.7)	7.7
Gold (USD/oz)	1,213	0.2	(0.9)	(0.9)	3.3	(5.1)
CRB Index	414.5	0	(0.4)	(1.0)	0.2	(3.5)
Rogers Agri Index	774.3	0.2	(0.7)	(3.1)	(3.2)	(4.3)
LIBOR (3M)*	2.63	1	1	18	31	121
INR 5Yr Swap*	7.59	0	(21)	(9)	11	116
<b>India** FII data (US\$ mn)</b>						
	<b>14 Nov</b>	<b>13 Nov</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	138.8	(36.3)	17.3	689.3	(7,771.9)	(8,017.9)
FII-Equity	24.6	128.6	481.4	192.6	(5,565.6)	(7,691.1)

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

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

+91 22 6698 5713

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)