


**MACRO DAILY**

08 February 2019

**Macro developments**

- RBI announced its monetary policy decision, wherein the MPC changed its stance to neutral from calibrated tightening, and reduced policy rates by 25bps. The recent slowdown in global and domestic economic activity as well as continued glut in global food stocks veered four MPC members towards a rate cut. We believe there may be room for little more reduction in policy rate as inflation, in particular food, remains benign.
- US jobless claims for the week ending 2 Feb 2019 fell to 234,000 (est.: 223,000) from 253,000 in the previous week. The less than expected decline indicates impact of shutdown still reeling on the labour market. Other seasonal factors like holidays may have also impacted the data. The 4-week moving average rose by 4,500 to 224,750.
- Bank of England in its latest policy kept Bank rate unchanged at 0.75% and maintained its current pace of asset purchase program. On the back of uncertainties concerning Brexit and subdued global growth, GDP estimate has been revised downward by 50bps to 1.2% in 2019. Inflation is expected to be at 1.8% in Q1CY19 vs 2.2% estimated earlier.

**BOB Economics Research**

+91 22 6698 5713

chief.economist@bankofbaroda.com

**Markets**

- **Bonds:** Barring Japan and China, global yields closed lower. US 10Y yield declined by 4bps as Powell's speech highlighted concerns over growth. Elsewhere European Commission (EC) and UK also slashed its growth forecast for 2019. Crude fell by 1.7% (US\$ 62/bbl). 07.17GS20128 declined by 7bps (7.50%) over unexpected cut in policy rate by RBI coupled with a change in stance. 07.26GS2029 closed lower by 4bps (7.32%).
- **Currency:** Global currencies closed mixed after the EC revised its growth projections for the region sharply downwards. As a result, while EUR depreciated by (-) 0.2%, DXY gained 0.1%. However JPY gained against the dollar (up 0.1%) on renewed fear over US-China trade deal. INR rose by 0.1% on the back of easing oil prices. It was trading even higher today.
- **Equity:** Barring Sensex which ended flat, all the other global indices ended lower, amidst escalating concerns over US-Sino trade relations. European markets fell as BoE revised its growth forecast downwards on account of uncertainty over Brexit. Both Asian markets and Sensex was trading lower in the morning session today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.66	(4)	3	(7)	(58)	(17)
UK	1.18	(4)	(4)	(10)	(39)	(44)
Japan	(0.01)	1	(1)	(2)	(13)	(9)
Germany	0.12	(5)	(3)	(11)	(34)	(65)
India#	7.50	(7)	2	5	(26)	3
China	3.11	0	(3)	(6)	(39)	(79)
<b>2Y yields (Δ bps)</b>						
US	2.48	(4)	2	(11)	(49)	38
UK	0.72	(2)	(4)	(4)	(12)	4
Japan	(0.16)	0	1	(2)	(2)	(1)
Germany	(0.58)	(2)	(1)	0	0	(3)
India	6.81	(13)	(13)	(20)	(65)	(4)
China	2.61	1	2	(15)	(50)	(97)
<b>Currencies (Δ %)</b>						
EUR	1.1341	(0.2)	(0.9)	(0.9)	(0.2)	(7.4)
GBP	1.2952	0.2	(1.2)	1.8	(0.8)	(6.9)
JPY	109.82	0.1	(0.9)	(1.0)	3.7	(1.0)
AUD	0.7101	(0.1)	(2.4)	(0.5)	(2.1)	(8.7)
INR	71.45	0.1	(0.5)	(1.8)	1.4	(11.2)
CNY	6.7454	(0.7)	0	1.7	2.7	(6.6)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	25,170	(0.9)	0.7	5.8	(3.9)	5.5
FTSE	7,094	(1.1)	1.8	3.4	(0.7)	(1.1)
DAX	11,022	(2.7)	(1.4)	2.0	(4.4)	(10.1)
NIKKEI	20,751	(0.6)	(0.1)	2.7	(7.7)	(5.2)
Shanghai Comp	2,618	1.3	1.3	3.6	(0.7)	(19.7)
SENSEX	36,971	0	2.0	2.8	5.2	7.4
Brent (USD/bbl)	61.63	(1.7)	(0.4)	5.0	(12.8)	(4.9)
Gold (USD/oz)	1,310	0.3	(0.8)	1.9	7.0	(0.7)
CRB Index	413.5	0	0.2	(0.0)	(0.7)	(6.2)
Rogers Agri Index	772.5	(1.0)	(0.4)	0.2	(1)	(6.2)
LIBOR (3M)*	2.74	0	0	(6)	12	93
INR 5Yr Swap*	7.11	(10)	(7)	(11)	(68)	0
<b>India FII data (US\$ mn)</b>						
	<b>6 Feb</b>	<b>5 Feb</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(38.0)	(120.3)	(372.4)	(304.7)	(671.8)	(7,662.5)
FII-Equity	152.7	99.6	127.4	297.1	221.7	(6,461.2)

Source: Bloomberg, Bank of Baroda | \*Indicates change in bps, # 7.17 GS 2028 security is taken, China's market was closed for Lunar New Year holiday,

## 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)