


MACRO DAILY

10 January 2019

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 38bn (on a weekly basis) and stood at Rs 20tn as on 4 Jan 2019. Overall reserve money grew by 16% on YoY basis compared to 60% a year ago. On FYTD basis, reserve money is growing at a slower pace of 6.3% vs 16.2% last year.
- US FOMC minutes signalled a more patient approach with regard to future course of fed fund rate hike. This was on the back of concerns over global growth and waning fiscal stimulus in the US. The minutes also highlighted that with the current 25bps increase in target range, fed fund rate has approached closer to the neutral rate.
- Amidst slowing economy, China's PPI growth fell sharply to 0.9% in Dec'18 (est.: 1.9%) vs 2.7% in Nov'18. China CPI too softened from 2.2% in Nov'18 to 1.9% in Dec'18. Reduced profitability for Chinese firms and strains in domestic consumption have led to Chinese government announcing 200bn Yuan (US\$ 29bn) package of tax cuts for SMEs. These cuts include reducing both direct & indirect tax rates for SMEs.

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Markets

- **Bonds:** Except Japan & Germany, global yields closed lower. Fed minutes indicating Central Bank might pause its rate tightening cycle and optimism around US-China trade talks led to US 10Y yield declining by 2bps (2.71%). Crude prices rose by 4.6% to cross US\$ 60/bbl. Indian 10Y yields declined by 6bps to close at 7.47%. It was trading flat today.
- **Currency:** Barring INR, other major currencies closed higher. DXY depreciated by (-) 0.7% to close at a near 3-month low on the back of dovish Fed minutes. Progress in US-China trade talks also supported investor sentiments. INR fell by (-) 0.4% on the back of rising oil prices (up 4.6%). It was trading higher today, in line with other Asian currencies.
- **Equity:** Led by positive developments surrounding the ongoing trade talks between US and China, pushed global indices higher. Dow continued its 4-day winning streak and gained by 0.4%. European indices closed in green with autos and tech stocks performing much better than the rest. Sensex too ended in positive territory supported by DII inflows of Rs 4.9bn. Both Asian markets and Sensex were trading lower today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.71	(2)	9	(15)	(45)	15
UK	1.26	(1)	5	6	(47)	(2)
Japan	0.03	2	3	(1)	(12)	(5)
Germany	0.28	5	11	3	(27)	(26)
India	7.47	(6)	11	(12)	(56)	21
China	3.15	(2)	(3)	(13)	(48)	(80)
2Y yields (Δ bps)						
US	2.55	(3)	9	(18)	(29)	58
UK	0.76	0	4	5	(16)	22
Japan	(0.14)	0	0	0	(3)	(2)
Germany	(0.58)	(1)	3	(1)	(6)	3
India	7.03	2	21	(17)	(71)	23
China#	2.69	0	1	19	(28)	(116)
Currencies (Δ %)						
EUR	1.1543	0.9	1.8	1.6	0.2	(3.4)
GBP	1.2789	0.6	1.4	1.8	(3.1)	(5.3)
JPY	108.17	0.5	0.7	4.6	3.7	2.9
AUD	0.7170	0.4	2.6	(0.3)	1.6	(8.6)
INR	70.47	(0.4)	(0.4)	1.2	5.1	(10.8)
CNY	6.8160	0.5	0.7	1.4	1.6	(4.7)
Equity & Other indices (Δ %)						
DOW	23,879	0.4	2.3	(2.2)	(6.7)	(5.9)
FTSE	6,907	0.7	2.6	2.8	(3.3)	(10.9)
DAX	10,893	0.8	3.0	2.6	(7.0)	(18.0)
NIKKEI	20,427	1.1	4.4	(3.7)	(13.1)	(14.1)
Shanghai Comp	2,544	0.7	3.2	(1.6)	(6.7)	(25.6)
SENSEX	36,213	0.6	0.9	3.6	4.2	5.2
Brent (USD/bbl)	61.44	4.6	11.9	2.5	(26.1)	(11.2)
Gold (USD/oz)	1,294	0.6	0.7	3.9	8.3	(1.8)
CRB Index	412.6	(0.3)	0.8	(1.0)	(1.0)	(6.5)
Rogers Agri Index	775.7	0.6	2.4	(0.3)	(1)	(4.2)
LIBOR (3M)*	2.80	(0.7)	(1)	2	37	109
INR 5Yr Swap*	7.23	2	4	(13)	(65)	46
India FII data (US\$ mn)						
	8 Jan	7 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(114.8)	17.5	(97.4)	(53.9)	(53.9)	(7,044.5)
FII-Equity	(102.4)	43.8	(58.6)	(262.4)	(262.4)	(6,945.2)

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

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