

**MACRO DAILY**

14 January 2019

**Macro developments**

- IIP plunged to 17-month low of 0.5% in Nov'18 from 8.4% in Oct'18 with consumer and capital goods sectors reporting a decline. The base effect explains a part of the slump, lower exports and domestic demand too contributed to the dip. We expect muted growth in the next few months, and growth is likely to pick up in H2FY20.
- US CPI fell by (-) 0.1% on a MoM basis in Dec'18 after remaining unchanged in Nov'18 (0%), led by sharp decline in gasoline prices (-7.5%). Core inflation rose steadily by 0.2% in Dec'18. Underlying pressures from rising cost of healthcare (0.4%) and rentals (0.3%) continued to persist. Rise in services inflation (0.3% vs 0.2% in Nov'18) indicates that higher wages have started feeding into inflation.
- UK industrial production declined by (-) 0.4% in Nov'18 (est. 0.2%) on a MoM basis vs (-) 0.6% in Oct'18. This was led by manufacturing (-0.3% in Nov'18) which declined for the 5th straight month due to falling exports. Economic growth also decelerated further amidst Brexit concerns and benign global outlook. GDP grew by 0.3% in the three months to Nov'18, lower compared with 0.4% growth in the three months to Oct'18.

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**Markets**

- **Bonds:** Global yields closed mixed. US 10Y yield declined by 4bps (2.7%) as CPI declined for the first time in 9 months in Dec'18. Crude prices declined by 1.9% (US\$ 60/bbl) over worsening global growth prospects. Indian 10Y yield increased by 2bps (7.5%) driven by selling from private banks & MFs. It was however, trading lower at 7.47% today ahead of expectation of lower inflation data in Dec'18.
- **Currency:** Global currencies closed mixed. This was driven by weak signals over global growth and volatility in oil prices. DXY rose by 0.1%. GBP appreciated by 0.8% as media reports suggested a possible delay in Brexit. INR depreciated by 0.1% (70.50/US\$) driven by FII outflow of US\$ 0.1bn. It was trading flat today.
- **Equity:** Barring Nikkei and Shanghai Comp, global indices ended lower. The drop in European indices was led by uncertainty over Brexit. Asian markets opened lower absorbing China's weaker data print as the trade surplus fell to the lowest since CY13. Sensex was also trading lower today.



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

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	2.70	(4)	3	(19)	(46)	15
UK	1.29	2	1	5	(32)	(3)
Japan	0.02	(1)	6	(2)	(13)	(6)
Germany	0.24	(2)	3	(1)	(26)	(35)
India	7.50	2	5	6	(42)	23
China	3.12	(3)	(2)	(26)	(48)	(85)
<b>2Y yields (Δ bps)</b>						
US	2.54	(3)	5	(19)	(31)	54
UK	0.81	3	5	9	(1)	22
Japan	(0.15)	0	3	1	(3)	(2)
Germany	(0.59)	0	1	2	(2)	(1)
India	7.00	0	16	2	(65)	18
China#	2.69	0	1	19	(28)	(116)
<b>Currencies (Δ %)</b>						
EUR	1.1469	(0.3)	0.6	1.4	(0.9)	(6.5)
GBP	1.2844	0.8	1.0	2.1	(2.3)	(6.9)
JPY	108.48	0	0	4.3	2.9	1.9
AUD	0.7215	0.4	1.4	0.6	1.2	(9.4)
INR	70.50	(0.1)	(1.1)	1.9	4.5	(11.0)
CNY	6.7630	0.4	1.5	2.1	2.2	(5.1)
<b>Equity &amp; Other indices (Δ %)</b>						
DOW	23,996	0	2.4	(0.4)	(5.0)	(7.0)
FTSE	6,918	(0.4)	1.2	1.1	(1.6)	(11.0)
DAX	10,887	(0.3)	1.1	0.2	(6.3)	(17.5)
NIKKEI	20,360	1.0	0.8	(4.7)	(8.6)	(14.1)
Shanghai Comp	2,554	0.7	1.5	(1.5)	(0.6)	(25.1)
SENSEX	36,010	(0.3)	0.9	0.1	3.3	3.3
Brent (USD/bbl)	60.48	(1.9)	6.0	0.3	(25.1)	(13.9)
Gold (USD/oz)	1,290	0.3	0.3	4.1	5.1	(3.7)
CRB Index	411.8	0.2	(0.3)	(0.8)	(1.7)	(6.2)
Rogers Agri Index	771.4	0.3	0.4	(0.7)	(4)	(4.3)
LIBOR (3M)*	2.79	(1.0)	0	(1)	34	106
INR 5Yr Swap*	7.20	(4)	(0)	(1)	(55)	42
<b>India** FII data (US\$ mn)</b>						
	<b>10 Jan</b>	<b>9 Jan</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(85.3)	61.6	(121.0)	(77.5)	(77.5)	(7,068.2)
FII-Equity	(43.6)	67.8	(34.4)	(238.2)	(238.2)	(6,921.0)

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

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