

MACRO DAILY

24 January 2019

Macro developments

- RBI reported that currency in circulation (CIC) increased by Rs 108bn (on a weekly basis) and stood at Rs 21tn as on 18 Jan 2019. Overall reserve money grew by 17.1% on a YoY basis compared to 53% a year ago. On FYTD basis, reserve money is growing at a slower pace of 8.6% against 18% in the previous year.
- Japan's exports in Dec'18 declined by (-) 3.8% vs 0.1% rise seen in Nov'18. Its imports too declined, from 12.5% Nov'18 to 1.9% in Dec'18, leaving a trade deficit of ¥55.3bn vs ¥737.7bn in Nov'18. Faltering export growth was on account of decline in shipments to Asia (-6.9% vs -1.9% in Nov'18), led by China (-7% vs 0.4% in Nov'18). In CY18, Japan has reported a trade deficit (a first since CY15) of ¥1.2tn vs ¥2.9tn surplus in CY17.
- Economic sentiment in the Euro Area (EA) improved slightly in Jan'19 to (-) 7.9 from (-) 8.3 in Dec'18. For the Euro zone (EU), it edged down slightly by (-) 0.2 points to (-) 7.8. However, it remained above the long-term average of (-11.3) and (-10.5) for both the EA and EU respectively.

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Markets

- **Bonds:** Global yields closed mixed, with that of US, UK and Japan ending flat, and Germany and India falling. Prolonged US government shutdown and US-China trade talks, are now hampering investor sentiments. Fears of global growth slowdown also led to (-) 0.6% decline in crude prices. This however helped Indian 10Y yield, which declined by 4bps to close at 7.53%. It is trading higher at 7.59% today.
- **Currency:** Except JPY (-0.2%), other global currencies closed higher as dollar weakened (DXY ended lower by -0.2%). Growing concerns over global economic outlook and the continued US government shutdown weighed in on investor sentiments. GBP gained 0.9% on hopes that a no-deal Brexit could be avoided. INR appreciated by 0.2% on the back of lower oil prices. Asian currencies including INR were trading higher today.
- **Equity:** Barring Dow & Shanghai Comp, global indices ended lower amidst concerns surrounding slowing global growth and US-China trade talks. However, strong quarterly earnings helped Dow close in green (0.7%). Sensex declined by (-) 0.9% post a poor earnings day (ITC, IT & financial stocks). In line with other Asian stocks, Sensex opened higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.74	0	2	0	(36)	9
UK	1.33	0	2	6	(13)	(8)
Japan	0.01	0	(1)	(4)	(13)	(8)
Germany	0.23	(1)	0	(3)	(17)	(36)
India	7.53	(4)	6	24	(34)	25
China	3.13	1	5	(22)	(43)	(82)
2Y yields (Δ bps)						
US	2.58	0	4	2	(25)	51
UK	0.80	1	(2)	7	5	21
Japan	(0.16)	0	(1)	(3)	(5)	(3)
Germany	(0.58)	1	2	2	4	1
India	7.03	1	0	16	(55)	23
China	2.60	0	(3)	(13)	(54)	(98)
Currencies (Δ %)						
EUR	1.1381	0.2	(0.1)	(0.2)	(0.1)	(8.3)
GBP	1.3069	0.9	1.4	2.9	1.5	(8.2)
JPY	109.60	(0.2)	(0.5)	0.8	2.4	(0.3)
AUD	0.7142	0.3	(0.4)	1.3	1.2	(11.4)
INR	71.33	0.2	(0.1)	(1.7)	2.5	(12.0)
CNY	6.7920	0.2	(0.5)	1.6	2.2	(6.8)
Equity & Other indices (Δ %)						
DOW	24,576	0.7	1.5	12.8	0	(6.4)
FTSE	6,843	(0.8)	(0.3)	2.3	(1.7)	(10.5)
DAX	11,072	(0.2)	1.3	4.1	(1.1)	(17.5)
NIKKEI	20,594	(0.1)	0.7	2.1	(6.8)	(14.0)
Shanghai Comp	2,581	0.1	0.4	2.1	(0.9)	(27.5)
SENSEX	36,108	(0.9)	(0.6)	1.8	6.1	(0.1)
Brent (USD/bbl)	61.14	(0.6)	(0.3)	21.1	(19.7)	(13.3)
Gold (USD/oz)	1,283	(0.2)	(0.8)	1.1	4.0	(5.6)
CRB Index	411.5	0.3	(0.2)	0.3	(0.9)	(6.2)
Rogers Agri Index	776.3	0.4	1.0	1.9	(1)	(5.5)
LIBOR (3M)*	2.78	1	0	(3)	27	103
INR 5Yr Swap*	7.22	4	4	2	(43)	33
India FII data (US\$ mn)						
	22 Jan	21 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(14.1)	(149.5)	(163.6)	(356.7)	(356.7)	(7,347.3)
FII-Equity	62.8	119.1	181.9	(372.6)	(372.6)	(7,055.5)

Source: Bloomberg, Bank of Baroda |*Indicates change in bps

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