


MACRO DAILY

29 January 2019

Macro developments

- As per data released by RBI, FDI in India grew by 18% to Rs 28.5tn in FY18 from Rs 23.9tn in FY17. Mauritius remained the largest source of FDI in India with a share of 19.7% of total FDI inflows. Amongst the major sectors, manufacturing received the highest share of FDI inflows. India's OFDI rose by 5% to Rs 5.3tn in FY18, with Singapore being the largest recipient.
- Hong Kong exports on a YoY basis declined (-5.8%) more than estimated (-1.8%) in Dec'18 vs (-) 0.8% in Nov'18. Its imports too declined by (-) 7% in Dec'18 vs 0.5% rise in Nov'18. The decline in exports was led by Asia (-7.8%), Germany (-10.9%), UK and US. For CY18, exports rose by 7.3% vs 8% in CY17, while imports rose by 8.4% vs 8.7% in CY17.
- Congressional Budget Office (CBO) has estimated a negative impact of 0.1% on US' real GDP if current level of tariffs remain in place. Further, it has estimated that due to changes in trade policies, US exports will come down by 0.5% by 2022, while real consumption will fall by 0.1% and real private investment by 0.3%. For CY19 the real GDP forecast is at 2.3% vs 3.1% in CY18. The impact of partial US government shutdown on GDP growth in CY19 is estimated at US\$ 3bn or 0.02% of GDP.

BOB Economics Research

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global yields closed mixed led by persisting worries over global growth. US 10Y fell by 1bps as ambiguity on a possible "border deal" kept investors cautious. Crude prices too fell by (-) 3% (US\$ 59.9/bbl). Indian 10Y yield fell by 1bps (7.54%) as India is expected to meet its fiscal target, ahead of the upcoming budget. It was trading at 7.52% today.
- **Currency:** Global currencies closed mixed. DXY closed lower by (-) 0.1% ahead of the crucial US-China trade talks and Fed policy meet. GBP fell (-) 0.3% ahead of parliamentary vote on Brexit amendments. INR gained 0.1% on the back of easing oil prices. It was however trading lower today.
- **Equity:** Renewed concerns over US-China trade relations spooked equity markets. Dow fell by (-) 0.8%, followed by drop in European indices due to uncertainty over Brexit. Domestic market too ended in red amidst subdued global cues. While Asian markets were trading lower; Sensex was trading higher today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.74	(1)	(4)	3	(34)	5
UK	1.27	(4)	(6)	0	(13)	(19)
Japan	0	1	(1)	0	(11)	(9)
Germany	0.21	1	(5)	(4)	(17)	(49)
India	7.54	(1)	(3)	16	(27)	10
China	3.15	1	4	(16)	(38)	(80)
2Y yields (Δ bps)						
US	2.59	(2)	(2)	7	(23)	47
UK	0.77	(2)	(2)	3	5	15
Japan	(0.16)	1	1	(2)	(4)	(4)
Germany	(0.58)	0	0	3	4	(6)
India	6.99	(1)	(4)	16	(56)	15
China	2.61	1	2	(15)	(46)	(97)
Currencies (Δ %)						
EUR	1.1428	0.2	0.6	(0.1)	0.5	(7.7)
GBP	1.3163	(0.3)	2.1	3.7	2.9	(6.5)
JPY	109.35	0.2	0.3	0.8	2.7	(0.4)
AUD	0.7166	(0.2)	0.1	1.7	1.6	(11.5)
INR	71.11	0.1	0.2	(1.7)	3.2	(11.8)
CNY	6.7453	0	0.8	1.9	3.1	(6.4)
Equity & Other indices (Δ %)						
DOW	24,528	(0.8)	0.5	6.4	0.3	(7.2)
FTSE	6,747	(0.9)	(3.2)	0.2	(4.0)	(12.1)
DAX	11,210	(0.6)	0.7	6.2	(1.1)	(15.9)
NIKKEI	20,649	(0.6)	(0.3)	3.2	(2.4)	(12.6)
Shanghai Comp	2,597	(0.2)	(0.5)	4.1	2.2	(26.3)
SENSEX	35,657	(1.0)	(2.5)	(1.2)	4.7	(1.7)
Brent (USD/bbl)	59.93	(2.8)	(4.5)	14.8	(22.5)	(13.7)
Gold (USD/oz)	1,303	(0.1)	1.8	1.8	6.0	(2.8)
CRB Index	412.5	0.2	0.6	0.9	(0.9)	(6.6)
Rogers Agri Index	777.3	0	0.5	2.3	0	(5.6)
LIBOR (3M)*	2.75	(1)	(2)	(5)	23	98
INR 5Yr Swap*	7.19	0	(3)	(6)	(43)	26
India FII data (US\$ mn)						
	25 Jan	24 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	34.1	77.2	(89.9)	(283.0)	(283.0)	(7,273.7)
FII-Equity	(27.3)	(27.3)	108.2	(446.4)	(446.4)	(7,129.3)

Source: Bloomberg, Bank of Baroda *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



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com