

MACRO DAILY

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Macro developments

- As per news reports, India may issue US\$ 5bn bonds in FY21, with no cap on foreign investment. The rupee denominated bonds would be issued in several tranches of US\$ 400mn each. Inclusion of these bonds on global indices will attract more foreign investment thus reducing reliance on domestic market. Union Budget has pegged only a slight increase of Rs 700bn in gross borrowings to Rs 7.8tn in the domestic market for FY21.
- US durable goods orders rose by 1.8% in Dec'19 on MoM basis (est. +1.5%) from (-) 1.2% in Nov'19. This was led by durable goods orders (2.4% vs -3.1% in Nov'19), in particular higher military spending. Excluding defence, factory orders fell by (-) 0.6% in Dec'19 from 0.1% in Nov'19.
- In line with market expectations, RBA kept policy rate unchanged at 0.75% in its Feb'20 meeting. The decision was on account of more positive growth outlook for CY20 at 2.75% vs 1.7% in CY19. This is on the back of higher investment in infrastructure, steady domestic demand and revival in exports. However, bushfire, drought conditions and coronavirus remain key risks to the growth forecasts.

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Markets

- Bonds:** Except India and China, global yields closed higher. US 10Y yield rose by 7bps (1.6%) driven by rebounding factory orders in Dec'19. UK 10Y yield rose by 5bps (0.57%) as trade talks between UK and EU may be forthcoming. Oil prices fell by (-) 0.9% (US\$ 54/bbl). India's 10Y yield closed stable at 6.5% and is trading at the same level today, ahead of the RBI policy decision.
- Currency:** Barring JPY and EUR, other global currencies closed higher. CNY (+0.3%) reversed some of its losses as PBOC injected US\$ 243bn liquidity through OMOs. DXY rose by 0.2% as US durable orders rose. INR gained as oil prices eased. It is trading higher today while other Asian currencies are trading lower.
- Equity:** Global indices rebounded as fears of coronavirus outbreak eased marginally. Dow rose by 1.4% led by strong macro print (US factory orders). Sensex (2.3%) gained the most, driven by global cues and better manufacturing PMI. It opened higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.60	7	(6)	(19)	(26)	(110)
UK	0.57	5	1	(17)	(21)	(67)
Japan	(0.05)	1	(1)	(4)	8	(4)
Germany	(0.40)	4	(6)	(12)	(9)	(57)
India	6.51	0	(8)	(1)	(1)	(88)
China	3.00	(2)	(9)	(14)	(25)	(11)
2Y yields (Δ bps)						
US	1.41	6	(5)	(12)	(22)	(111)
UK	0.50	3	5	(5)	(9)	(25)
Japan	(0.15)	(1)	(2)	(2)	9	2
Germany	(0.65)	2	(3)	(4)	(2)	(9)
India	6.01	0	(8)	26	49	(95)
China	2.23	(7)	(5)	(42)	(42)	(17)
Currencies (Δ %)						
EUR	1.1044	(0.1)	0.2	(1.0)	(0.3)	(3.2)
GBP	1.3031	0.3	0	(0.4)	1.1	0.7
JPY	109.52	(0.8)	(0.3)	(1.3)	(0.3)	0.4
AUD	0.6739	0.7	(0.3)	(3.0)	(2.2)	(6.8)
INR	71.27	0.1	0.1	0.7	(0.8)	0.4
CNY	6.9985	0.3	(1.7)	(0.5)	0.2	(3.8)
Equity & Other indices (Δ %)						
Dow	28,808	1.4	0.3	0.6	4.8	13.4
FTSE	7,440	1.5	(0.5)	(2.4)	0.7	3.7
DAX	13,282	1.8	(0.3)	0.5	1.0	16.8
NIKKEI	23,085	0.5	(0.6)	(3.2)	(0.7)	10.7
Shanghai Comp	2,783	1.3	(9.5)	(9.7)	(7.0)	6.3
SENSEX	40,789	2.3	(0.4)	(1.6)	1.3	11.4
Brent (US\$/bbl)	53.96	(0.9)	(9.3)	(21.3)	(14.3)	(12.9)
Gold (US\$/oz)	1,553	(1.5)	(0.9)	0.0	4.7	18.1
CRB Index	403.9	0.1	(0.5)	0.7	3.4	(2.5)
Rogers Agri Index	733.7	0.3	(2.1)	(2.7)	0.3	(6.0)
LIBOR (3M)*	1.74	(1)	(3)	(13)	(15)	(100)
INR 5Y Swap*	6.61	1	(7)	(2)	6	(62)
India FII data (US\$ mn)						
FII-Debt	28.4	(15.3)	28.4	28.4	(1,540.5)	1,403.6
FII-Equity	258.5	(611.9)	258.5	258.5	1,631.2	9,020.4

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

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