

## MACRO DAILY

06 December 2019

### Macro developments

- RBI kept repo rate on hold as it revised its inflation trajectory to 4.9% in H2FY20 from 3.6% in Oct'19. Inflation is likely to fall within RBI's target range only in Q2FY21. While growth is expected to pick-up from 5% in FY20 to 6.1% in H1FY21, it will still be well below potential. Hence, we believe that the rate cut cycle is likely to resume in Q1FY21.
- US factory orders rebounded for the first time in over 3-months in Oct'19 by 0.3% vs (-) 0.8% in Sep'19, on MoM basis. Orders for non-defence capital goods excl. aircraft rose by 1.1% vs 1.2% in Sep'19. In a separate print, US jobless claims dropped by 10,000 to 203,000 for the week ending 30 Nov 2019 (lowest in 7-months), owing to seasonality trend.
- Germany's factory orders declined unexpectedly in Oct'19 by (-) 0.4% on a MoM basis vs est.: +0.4% and +1.5% in Sep'19. The decline was led by domestic orders (-3.2%), while export orders increased (1.5%). Industry wise, capital goods orders declined (-1.1%), while orders for intermediate (0.7%) and consumer goods (0.3%) rose. With weak manufacturing momentum, Bundesbank expects economy to stagnate in Q4CY19.

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### Markets

- **Bonds:** Except China, global yields closed higher as hopes of US-China trade deal remerged. US 10Y yield rose by 4bps (1.81%). Oil prices rose by 0.6% (US\$ 63/bbl) over anticipation of another 0.5mn bbl/day production cut by OPEC+. India's 10Y yield rose by 15bps to 6.61% (highest since Oct'19) as RBI kept policy rate unchanged. It is trading at 6.62% today.
- **Currency:** Barring AUD, other major global currencies closed higher. DXY (-0.2%) fell for the 5th straight session on growing concerns over US growth. INR rose by 0.3% as RBI unexpectedly kept policy rate on hold. It is trading flat today, while other Asian currencies are trading higher.
- **Equity:** Except European indices, other global indices ended higher as investors continued to track developments over US-China trade deal. Both Nikkei and Shanghai Comp rose by 0.7% each. However, Sensex slipped (-0.2%) after RBI maintained status quo. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.81	4	4	3	25	(109)
UK	0.77	3	10	5	17	(47)
Japan	(0.03)	1	5	15	23	(9)
Germany	(0.29)	2	7	6	30	(53)
India	6.61	15	15	14	3	(81)
China	3.19	(1)	1	(11)	17	(13)
<b>2Y yields (Δ bps)</b>						
US	1.59	2	(3)	1	7	(117)
UK	0.59	1	7	4	14	(15)
Japan	(0.15)	0	3	11	13	(1)
Germany	(0.62)	0	1	3	25	0
India	5.60	23	24	8	(11)	(149)
China	2.61	0	(2)	(5)	3	11
<b>Currencies (Δ %)</b>						
EUR	1.1104	0.2	0.9	(0.2)	0.6	(2.4)
GBP	1.3157	0.4	1.9	2.1	6.7	2.9
JPY	108.76	0.1	0.7	(0.2)	(1.7)	3.5
AUD	0.6834	(0.2)	0.9	(0.7)	0.3	(5.6)
INR	71.29	0.3	0.5	(0.7)	0.8	(0.5)
CNY	7.0448	0.1	(0.1)	(0.2)	1.5	(2.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	27,678	0.1	(1.7)	0.8	3.6	10.9
FTSE	7,138	(0.7)	(3.8)	(3.1)	(1.8)	6.5
DAX	13,055	(0.7)	(1.4)	(0.6)	7.7	20.8
NIKKEI	23,300	0.7	(0.5)	0.2	10.5	8.4
Shanghai Comp	2,899	0.7	0.3	(2.6)	(2.9)	11.3
SENSEX	40,780	(0.2)	(0.9)	1.2	11.3	15.5
Brent (US\$/bbl)	63.39	0.6	(0.8)	2.0	4.0	5.5
Gold (US\$/oz)	1,476	0.1	1.4	(2.2)	(2.8)	19.2
CRB Index	387.0	0.1	0	(0.9)	(0.2)	(7.1)
Rogers Agri Index	724.3	0.2	(0.1)	(0.7)	6.7	(6.6)
LIBOR (3M)*	1.89	0	(2)	(2)	(22)	(88)
INR 5Y Swap*	6.39	9	2	(18)	28	(88)
<b>India FII data (US\$ mn)</b>						
	<b>4 Dec</b>	<b>3 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	6.6	167.7	178.4	178.4	4,423.2	3,878.5
FII-Equity	27.2	(14.4)	(189.0)	(189.0)	13,183.4	6,338.2

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

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