

MACRO DAILY

06 November 2019

Macro developments

- India's services PMI fell to 49.2 in Oct'19 vs 48.7 in Sep'19. The slower pace of reduction was led by increase in new export orders. However, domestic demand remains muted, with competitive pressures and higher input prices building stress on profit margins. Employment growth too remains subdued. The 12-month outlook fell to its 14-year low in Oct'19.
- US ISM non-manufacturing PMI rose to 54.7 in Oct'19 after falling to a 3-year low at 52.6 in Sep'19. Amongst the sub-indices, employment index rose the most to 53.7 (+3.3) followed by new orders at 55.6 (+1.9). Separate data showed that US trade deficit narrowed to US\$ 52.7bn in Sep'19 vs US\$ 55bn in Aug'19.
- In line with market expectations, central banks of both, Australia (RBA) and Malaysia (BNM), held policy rates unchanged at 0.75% and 3% respectively. RBA and BNM also clarified that future course of policy will be data driven and dependent on US-China trade deal. RBA trimmed its growth forecast for CY19 to 2.25% from 2.5% earlier. Both banks are expected to deliver at least one more rate cut in early CY20.

Jahnavi

jahnavi@bankofbaroda.com

Sameer Narang

chief.economist@bankofbaroda.com

Markets

- Bonds:** Except China, global yields closed lower supported by expectation of signing of phase-1 of US-China trade deal. US 10Y yield surged by 8bps (1.86%) as non-manufacturing ISM print was better than expected. Oil prices rose by 1.3% (US\$ 63/bbl). India's 10Y yield rose by 3bps (6.72%), amidst fiscal concerns. It is trading at 6.71% today.
- Currency:** Global currencies closed mixed. DXY rose by 0.3% as US non-manufacturing PMI rose more than expected. Hopes of finalisation of US-China trade deal also helped. CNY rose by 0.3% as PBOC cut its MLF rate to support growth. It is trading near a 3-month high today (6.9971/\$). Other Asian currencies are trading mixed, while INR opened lower today.
- Equity:** Barring Sensex, global indices ended higher on the back of possible rollback of tariffs between US and China. Despite a mixed print from global services PMI, Nikkei (1.8%) and Shanghai Comp (0.5%) surged. However, Sensex ended in red (-0.1%), dragged down by midcaps. It is trading lower today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.86	8	2	33	16	(137)
UK	0.78	5	6	33	26	(76)
Japan	(0.12)	5	(2)	9	6	(25)
Germany	(0.31)	4	4	28	23	(74)
India [^]	6.72	3	3	3	38	(108)
China	3.25	(5)	(6)	11	18	(28)
2Y yields (Δ bps)						
US	1.62	4	(2)	22	4	(130)
UK	0.59	4	5	24	16	(24)
Japan	(0.23)	3	(3)	10	(2)	(11)
Germany	(0.64)	1	(1)	14	18	(3)
India	5.52	0	(1)	(11)	(41)	(195)
China [#]	2.65	(1)	2	10	11	(14)
Currencies (Δ %)						
EUR	1.1075	(0.5)	(0.3)	0.9	(1.1)	(3.1)
GBP	1.2884	0	0.2	4.5	5.9	(1.6)
JPY	109.16	(0.5)	(0.2)	(2.1)	(2.5)	3.8
AUD	0.6893	0.1	0.4	1.8	2.0	(4.9)
INR	70.69	0.1	0.2	0.3	0.2	3.2
CNY	7.0097	0.3	0.8	1.9	0.2	(1.3)
Equity & Other indices (Δ %)						
Dow	27,493	0.1	1.6	3.5	5.6	7.2
FTSE	7,388	0.2	1.1	3.3	3.0	4.9
DAX	13,149	0.1	1.6	9.5	13.7	14.5
NIKKEI	23,252	1.8	1.2	8.6	13.0	5.0
Shanghai Comp	2,992	0.5	1.3	3.0	7.7	12.5
SENSEX	40,248	(0.1)	1.0	6.8	8.8	15.0
Brent (US\$/bbl)	62.96	1.3	2.2	7.9	6.8	(12.7)
Gold (US\$/oz)	1,484	(1.7)	(0.3)	(1.4)	0.6	20.9
CRB Index	390.7	0	(0.2)	0.5	(2.0)	(6.4)
Rogers Agri Index	731.5	0.3	0.7	2.7	3.7	(6.5)
LIBOR (3M)*	1.91	2	(3)	(12)	(28)	(68)
INR 5Y Swap*	6.55	(3)	2	23	13	(125)
India FII data (US\$ mn)						
	4 Nov	1 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	146.8	233.6	146.8	380.4	5,067.3	4,522.6
FII-Equity	11.5	255.0	11.5	266.4	10,489.2	3,644.0

Source: Bloomberg, Bank of Baroda | [^]7.26% GS 2029 | *Indicates change in bps | #1Y yield

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com