

MACRO DAILY

07 January 2020

Macro developments

- India's services PMI rose to 53.3 in Dec'19 (5-month high) from 52.7 in Nov'19. The jump was supported by new international business which in turn led to increased employment. Input prices also rose which were translated into higher output prices, with steepest rise seen in transport & storage firms. Segment-wise, consumer service growth outperformed.
- Services activity globally remained mixed. While it improved in the US (52.8 vs 51.6 in Nov'19) and Eurozone (52.8 vs 51.9 in Nov'19); moderation was seen in China (52.5 vs 53.5 in Nov'19) and Japan (49.4 vs 50.3 in Nov'19). Except China, employment in the service sector remained buoyant. Input cost inflation also firmed up in Dec'19 (except China).
- Germany's retail sales rose by 2.1% in Nov'19 (est.: 1%) vs (-) 1.9% in Oct'19. On an annualised basis, it rose by 3.1% in nominal terms. Separately, Euro Area PPI continued to decline albeit at a slower pace by (-) 1.4% in Nov'19 vs (-) 1.9% in Oct'19. This was led by energy inflation decelerating by (-) 6.1% in Nov'19 (-7.7% in Oct'19) and inching up of non-durable consumer goods to 1.7% vs 1.5% in Oct'19.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields closed mixed amidst tensions between US and Iran. US 10Y yield rose by 2bps (1.81%) supported by better services PMI print in Dec'19. Oil prices rose by 0.5% (US\$ 69/bbl) due to supply concerns. India's 10Y yield rose by 6bps (6.57%) on account of low cut-off prices at RBI's OMO purchase auction. It is trading lower at 6.54% today.
- Currency:** Except EUR and GBP, global currencies closed lower on the back of heightened tensions between US and Iran. DXY fell by (-) 0.2%. GBP rose by 0.7% as the British parliament is set to meet next week to discuss Brexit deal. INR depreciated by (-) 0.2%. In line with other Asian currencies it is trading higher today.
- Equity:** Barring Dow and Shanghai Comp (flat), global indices closed lower led by escalated tensions in the Middle East. Both Nikkei and Sensex dropped by (-) 1.9% each. Even European indices ended in red. The drop in Sensex was led by metal and realty stocks. However, it is trading higher today; while other Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.81	2	(7)	(3)	25	(89)
UK	0.77	3	(10)	(0)	32	(49)
Japan	(0.02)	(1)	(1)	(1)	20	(1)
Germany	(0.29)	(1)	(10)	0	29	(51)
India	6.57	6	2	(10)	(11)	(107)
China	3.13	(1)	(1)	(7)	(1)	(4)
2Y yields (Δ bps)						
US	1.54	2	(2)	(7)	8	(100)
UK	0.59	4	0	0	25	(17)
Japan	(0.15)	(2)	(2)	(1)	18	2
Germany	(0.63)	(1)	(2)	0	15	(4)
India#	5.77	2	(5)	4	(44)	(129)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1197	0.3	0	1.2	2.1	(2.4)
GBP	1.3171	0.7	0.4	0.2	7.1	3.1
JPY	108.37	(0.3)	0.5	0.2	(1.0)	0.3
AUD	0.6940	(0.1)	(0.8)	1.4	3.1	(2.9)
INR	71.94	(0.2)	(0.9)	(1.0)	(1.3)	(3.2)
CNY	6.9760	(0.1)	0.2	0.8	2.4	(1.8)
Equity & Other indices (Δ %)						
Dow	28,703	0.2	0.8	2.5	8.4	22.0
FTSE	7,575	(0.6)	(0.2)	4.6	5.2	11.2
DAX	13,127	(0.7)	(0.9)	(0.3)	8.5	22.1
NIKKEI	23,205	(1.9)	(1.9)	(0.6)	8.6	15.8
Shanghai Comp	3,083	0	1.4	5.9	6.1	21.7
SENSEX	40,677	(1.9)	(2.1)	0.6	8.4	13.5
Brent (US\$/bbl)	68.91	0.5	0.7	7.0	18.1	20.2
Gold (US\$/oz)	1,566	0.9	3.3	7.2	4.8	21.4
CRB Index	401.0	0	(0.3)	2.7	4.2	(3.0)
Rogers Agri Index	754.7	0.1	(0.6)	3.7	6.2	(2.2)
LIBOR (3M)*	1.87	(3)	(4)	(2)	(14)	(92)
INR 5Y Swap*	6.66	3	(8)	16	37	(57)
India FII data (US\$ mn)						
	2 Jan	1 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(181.2)	(189.1)	(603.6)	(370.5)	(370.5)	2,573.7
FII-Equity	181.6	152.5	146.8	384.5	384.5	7,773.7

Source: Bloomberg, Bank of Baroda | *#6.17 GS 2021 | *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