

MACRO DAILY

09 December 2019

Macro developments

- RBI data shows that credit growth in Nov'19 eased to 6.9% vs 8.9% in Oct'19. The decline was visible in both food and non-food segments. Deposit growth fell to 8.3% vs 10.3% in Oct'19. For the fortnight ended 22 Nov credit growth eased to 8% vs 15.1% in the same time last year. Deposit growth however remained steady at 9.7% vs 9.4% in the same period.
- China's export growth fell by (-) 1.1% in Nov'19 vs est.: +0.8% and (-) 0.9% in Oct'19. On CYTD basis, exports to US have declined by (-) 12.5%, while exports to EU (4.5%) and S. Asian (11.5%) countries have risen. Imports on the other hand rose by 0.3% in Nov'19 (est.: -1.4%) vs (-) 6.4% in Oct'19, on the back of higher demand for copper, oil & natural gas.
- US non-farm payroll additions rose by 266,000 in Nov '19 (est. 188,000) vs 156,000 in Oct'19. Unemployment rate fell to a 50-year low at 3.5%. Average hourly earnings rose by 3.1% vs 3% in Oct'19, on YoY basis. Thus, buoyant labour market conditions along with modest recovery in few macro prints indicate Fed might not recourse to dovish stance in next policy.

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- **Bonds:** Except UK (stable), global yields closed higher. US 10Y yield rose by 3bps (1.84%) over buoyant labour market conditions. Oil prices rose by 1.6% (US\$ 64/bbl) as reports suggested deeper production cut by OPEC+. India's 10Y yield rose by 5bps (6.67%) on RBI's decision to keep rates on hold. It is trading even higher at 6.68% today.
- **Currency:** Barring EUR and GBP, other major global currencies closed lower. DXY rebounded (+0.3%) after falling for 5-straight session on strong US jobs report. EUR fell by (-) 0.4% as industrial production in Germany fell in Oct'19. INR rose by 0.1%. It is trading lower today, while other Asian currencies are trading mixed.
- **Equity:** Apart from Sensex, other global indices ended higher led by stronger data print from US (payrolls and Michigan consumer sentiment). FTSE (1.4%) surged the most followed by Dow (1.2%). However, Sensex slipped by (-) 0.8% dragged down by auto and real estate stocks. 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
10Y yields (Δ bps)						
US	1.84	3	6	(2)	28	(101)
UK	0.77	0	8	0	27	(49)
Japan	(0.01)	2	7	12	23	(7)
Germany	(0.29)	1	7	2	35	(54)
India	6.67	5	20	15	6	(80)
China	3.21	2	3	(4)	20	(11)
2Y yields (Δ bps)						
US	1.61	2	0	(1)	7	(110)
UK	0.59	1	5	1	20	(14)
Japan	(0.14)	2	3	10	16	1
Germany	(0.63)	0	0	1	25	(3)
India	5.73	13	39	20	2	(139)
China	2.61	0	(2)	(4)	3	11
Currencies (Δ %)						
EUR	1.1060	(0.4)	0.4	(0.1)	0.3	(2.8)
GBP	1.3140	(0.1)	1.7	2.0	7.0	3.3
JPY	108.58	0.2	0.8	0.5	(1.6)	3.6
AUD	0.6841	0.1	1.2	(0.8)	(0.1)	(5.1)
INR	71.20	0.1	0.7	(0.7)	0.7	(0.5)
CNY	7.0350	0.1	0	(0.4)	1.1	(2.3)
Equity & Other indices (Δ %)						
Dow	28,015	1.2	(0.1)	1.9	4.5	14.9
FTSE	7,240	1.4	(1.5)	(2.0)	(0.6)	6.8
DAX	13,167	0.9	(0.5)	0.1	8.0	22.0
NIKKEI	23,354	0.2	0.3	0.4	10.2	7.7
Shanghai Comp	2,912	0.4	1.4	(2.7)	(2.9)	11.7
SENSEX	40,445	(0.8)	(0.9)	0.5	9.4	13.4
Brent (US\$/bbl)	64.39	1.6	3.1	2.3	4.6	4.4
Gold (US\$/oz)	1,460	(1.1)	(0.3)	(1.6)	(3.1)	16.9
CRB Index	390.5	0.9	1.1	0	0.9	(6.5)
Rogers Agri Index	728.0	0.5	(0.1)	(0.5)	7.9	(7.2)
LIBOR (3M)*	1.89	0	(2)	(1)	(25)	(89)
INR 5Y Swap*	6.50	10	15	(5)	40	(83)
India FII data (US\$ mn)						
	5 Dec	4 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(6.1)	6.6	172.3	172.3	4,417.0	3,872.4
FII-Equity	61.1	27.2	(127.8)	(127.8)	13,244.6	6,399.4

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

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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