

## MACRO DAILY

09 January 2020

### Macro developments

- World Bank estimates India's GDP to grow at an 11-year low of 5% in FY20 from 6% estimated earlier. This is led by a slowdown in consumption demand and lack of credit availability due to stress in the NBFC sector. However, growth is expected to pick up to 5.8% in FY21. Global growth is expected to recover marginally to 2.5% in CY20 from 2.4% in CY19.
- RBI reported that currency in circulation (CIC) declined by Rs 14.3bn and stood at Rs 22.7tn for the week ending 3 Jan 2020. Reserve money rose by 12.3% on a YoY basis, compared with 16.4% a year ago. On a FYTD basis, reserve money increased by 4.2% as against 6.3% last year.
- Germany's factory orders declined by (-) 1.3% in Nov'19 on a MoM basis vs +0.2% in Oct'19, led by fall in new manufacturing orders (-1.3% vs +0.2%). Within manufacturing, orders for capital goods declined by (-) 2.1% while intermediate fell by (-) 0.2%. Domestic orders rose by 1.6% vs (-) 3% in Oct'19, while export orders dropped by (-) 3.1% vs +2.4% in Oct'19.

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### Markets

- Bonds:** Global yields broadly closed higher on account of easing tensions between US and Iran. US 10Y yield rose by 6bps (1.87%) due to higher than expected private payroll numbers in Dec'19. Oil prices fell by (-) 4.1% (US\$ 65/bbl) driven by higher US inventories. India's 10Y yield closed stable at 6.56% and is trading 3bps lower today at 6.53%.
- Currency:** Except INR and CNY, global currencies closed lower. DXY rose by 0.3% as US private payrolls rose in Dec'19. JPY fell by (-) 0.6% as concerns over US-Iran conflict subsided. INR appreciated by 0.2% as oil prices fell. It opened higher today in line with other Asian currencies.
- Equity:** Global indices ended mixed led by weaker Euro Area consumer confidence and better than expected US private payrolls data. Nikkei (-1.6%) dropped the most. Dow on the other hand gained by 0.6%. Sensex (-0.1%) ended in red, dragged down by oil & gas and metal stocks. However, 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	1.87	6	(4)	5	29	(84)
UK	0.82	2	(1)	5	36	(44)
Japan	(0.00)	0	1	0	20	(3)
Germany	(0.21)	8	(2)	10	34	(49)
India	6.56	0	5	(11)	11	(103)
China	3.14	0	(1)	(6)	2	2
<b>2Y yields (Δ bps)</b>						
US	1.58	4	1	(3)	11	(97)
UK	0.63	3	8	5	26	(13)
Japan	(0.12)	0	1	0	19	2
Germany	(0.61)	2	0	3	15	(2)
India#	5.72	(2)	(5)	(1)	8	(131)
China	2.28	(5)	(30)	(35)	(27)	(41)
<b>Currencies (Δ %)</b>						
EUR	1.1105	(0.4)	(1.0)	0.4	1.2	(3.8)
GBP	1.3097	(0.2)	(1.2)	(0.4)	7.3	2.4
JPY	109.12	(0.6)	(0.3)	(0.5)	(1.5)	(0.9)
AUD	0.6866	(0.1)	(2.2)	0.6	2.1	(4.2)
INR	71.71	0.2	(0.7)	(0.9)	(0.9)	(1.8)
CNY	6.9462	0	0.3	1.3	2.6	(1.9)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,745	0.6	(0.4)	3.0	9.1	20.4
FTSE	7,575	0	(0.4)	4.7	5.7	9.7
DAX	13,320	0.7	(0.5)	1.6	10.1	22.3
NIKKEI	23,205	(1.6)	(1.9)	(1.0)	8.1	13.6
Shanghai Comp	3,067	(1.2)	(0.6)	5.2	4.9	20.5
SENSEX	40,818	(0.1)	(1.9)	0.8	6.9	12.7
Brent (US\$/bbl)	65.44	(4.1)	(1.2)	1.9	12.2	6.5
Gold (US\$/oz)	1,556	(1.1)	2.6	6.5	3.4	20.3
CRB Index	401.8	0.1	(0.2)	2.8	3.8	(2.6)
Rogers Agri Index	754.8	0.1	(0.5)	3.7	5.2	(2.7)
LIBOR (3M)*	1.88	1	(2)	(1)	(11)	(92)
INR 5Y Swap*	6.77	(3)	12	25	50	(46)
<b>India FII data (US\$ mn)</b>						
FII-Debt	(474.1)	(181.2)	(474.1)	(844.5)	(844.5)	2,099.6
FII-Equity	(2.6)	181.6	(2.6)	381.8	381.8	7,771.0

Source: Bloomberg, Bank of Baroda | \*#6.17 GS 2021 | \*Indicates change in bps

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