

MACRO DAILY

13 January 2020

Macro developments

- India's passenger car sales continued to decline, albeit at a slower pace to (-) 8.4% in Dec'19 from (-) 10.8% in Nov'19. CV sales too declined by (-) 12.3% in Dec'19 (-15% in Nov'19). However, two wheeler sales did not show any sign of recovery (-16.6% vs -14.3%). In CY19, passenger car sales fell to 20-year low of (-) 18.3%, signalling weaker consumer demand.
- RBI bought net US\$ 6.9bn in the spot market in Nov'19 vs US\$ 7.1bn in Oct'19. In FYTD20, RBI has purchased US\$ 25.4bn in the spot market vs net sales of US\$ 26.5bn last year. RBI's net forward position was at (-) US\$ 6.1bn in Nov'19 vs (-) US\$ 1.9bn in Nov'18.
- US reported an increase of 145,000 in total non-farm payrolls in Dec'19 vs 256,000 in Nov'19 and est.: 160,000. The gains were mainly supported by services sector (+140,000), led by transportation, hospitality and health care. Manufacturing sector on the other hand reported 12,000 job losses. Average hourly earnings rose by 2.9% in Dec'19 on a YoY basis vs est. 3.1%. Unemployment rate remains unchanged at 3.5% in Dec'19.

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Markets

- Bonds:** Except India, global yields closed lower. US 10Y yield fell by 3bps (1.82%) amidst disappointing US nonfarm payroll print. UK 10Y yield fell the most by 5bps (0.77%) as BoE hinted at future interest rate cut. Oil prices fell by (-) 0.6% (US\$ 65/bbl). However, India's 10Y yield rose by 6bps (6.59%) on expectation of higher CPI print (6.7% in Dec'19). It is trading flat today.
- Currency:** Except GBP (flat), global currencies closed higher. DXY fell by (-) 0.1% following weaker than expected payroll additions. Investors also remained cautious as US imposed sanctions on Iran and date for signing of US-China trade deal approaches closer. INR appreciated by 0.4% as oil prices eased. It opened higher today in line with other Asian currencies.
- Equity:** Barring Nikkei and Sensex, global indices closed lower on the back of weaker than expected US payrolls data and ahead of the earning season as well as US-China signing of the phase-1 deal. Sensex ended in green (0.4%) with real estate and metal stocks advancing the most. It is trading higher today; while 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	1.82	(3)	3	3	9	(88)
UK	0.77	(5)	3	(1)	6	(52)
Japan	0.00	(1)	1	0	18	(2)
Germany	(0.20)	(2)	8	12	24	(44)
India	6.59	6	7	(18)	8	(100)
China	3.08	(4)	(7)	(11)	(8)	(4)
2Y yields (Δ bps)						
US	1.57	(1)	5	(4)	(2)	(97)
UK	0.53	(6)	(3)	(5)	(2)	(28)
Japan	(0.14)	(1)	(1)	(2)	16	1
Germany	(0.60)	(1)	2	4	12	(1)
India#	5.69	0	(6)	(8)	2	(131)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1121	0.1	(0.4)	(0.1)	0.7	(3.0)
GBP	1.3064	0	(0.1)	(1.0)	3.1	1.7
JPY	109.45	0.1	(1.3)	(0.8)	(1.1)	(0.9)
AUD	0.6901	0.6	(0.7)	0.4	1.6	(4.4)
INR	70.94	0.4	1.2	(0.1)	0.1	(0.6)
CNY	6.9193	0.2	0.7	1.7	2.4	(2.3)
Equity & Other indices (Δ %)						
Dow	28,824	(0.5)	0.7	3.3	7.5	20.1
FTSE	7,588	(0.1)	(0.5)	5.1	4.7	9.7
DAX	13,483	(0.1)	2.0	2.6	7.8	23.8
NIKKEI	23,851	0.5	0.8	2.0	9.4	17.1
Shanghai Comp	3,092	(0.1)	0.3	5.7	4.0	21.1
SENSEX	41,600	0.4	0.3	2.9	9.1	15.5
Brent (US\$/bbl)	64.98	(0.6)	(5.3)	2.0	7.4	7.4
Gold (US\$/oz)	1,562	0.6	0.7	5.9	4.9	21.1
CRB Index	407.4	(0.1)	1.6	3.4	4.1	(1.1)
Rogers Agri Index	761.8	0.6	1.0	4.7	5.0	(1.3)
LIBOR (3M)*	1.84	(1)	(4)	(5)	(16)	(95)
INR 5Y Swap*	6.77	0	14	21	37	(43)
India FII data (US\$ mn)						
	9 Jan	8 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	13.5	9.1	(529.8)	(900.2)	(900.2)	2,043.9
FII-Equity	21.9	(47.9)	(114.0)	270.5	270.5	7,659.7

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

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