

MACRO DAILY

13 November 2019

Macro developments

- RBI bought net US\$ 5.6bn in the spot market in Sep'19 vs net sales of US\$ 4.1bn in Aug'19. In FYTD20, RBI has purchased US\$ 11.4bn in the spot market compared with net sales of US\$ 18.7bn last year. In the forwards market, RBI bought US\$ 0.4bn in Sep'19 vs US\$ 0.8bn in Aug'19. RBI's net forward position stands at (-) US\$ 7.5bn.
- Germany's ZEW economic sentiment index rose to (-) 2.1 points in Nov'19 from (-) 22.8 points in Oct'19. The sharp improvement is led by hopes of orderly Brexit, lower probability of imposition of tariffs by the US on EU cars and positive outcome of US-China trade deal.
- In a surprise move, Reserve Bank of New Zealand (RBNZ) kept the official cash rate (OCR) unchanged at 1% (est.: 0.75%), as it analyses the impact of 50bps cut in Aug'19. It has maintained the accommodative stance and reassured that future policy course will remain data dependent. With inflation running at the lower end (~1.7% in CYTD19) of RBNZ's 1-3% target, analysts believe the OCR will be cut to 0.5% in early CY20.

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Markets

- **Bonds:** Global yields closed mixed as investors continued to monitor trade progress. 10Y yield in US and UK fell by 1bps each as global growth continued to remain a concern. Oil prices too dropped by (-) 0.2% (US\$ 62/bbl) amidst rising US inventories. India's 10Y yield is trading higher by 3bps today (6.74%) ahead of the release of CPI print.
- **Currency:** Global currencies closed mixed. DXY rose by 0.1% after US President reiterated that US-China trade deal is close to finalisation. CNY and JPY closed flat. EUR fell by (-) 0.2% even as investor sentiment in Germany improved. INR opened near a 2-month low today as IIP growth contracted sharply in Sep'19. Other Asian currencies are also trading lower.
- **Equity:** Barring Dow (flat), other global indices ended higher as investors remained optimistic about the possible delay of tariff imposition on EU (by US). Tracking these gains, both Dax (0.6%) and FTSE (0.5%) ended in green. Sensex opened higher today, while Asian stocks are trading lower as political turmoil continue to escalate in Hong Kong.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

| Particulars | Current | 1D | 1W | 1M | 3M | 12M |
|---|--------------|--------------|------------|------------|-------------|-------------|
| 10Y yields (Δ bps) | | | | | | |
| US | 1.93 | (1) | 8 | 21 | 23 | (121) |
| UK | 0.81 | (1) | 3 | 17 | 31 | (72) |
| Japan | (0.02) | 4 | 10 | 16 | 21 | (13) |
| Germany | (0.25) | (1) | 6 | 21 | 36 | (66) |
| India^ | 6.77 | 2 | 8 | 9 | 24 | (99) |
| China | 3.25 | 4 | 0 | 9 | 24 | (23) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.66 | (1) | 4 | 7 | 0 | (123) |
| UK | 0.56 | (1) | (2) | 6 | 10 | (24) |
| Japan | (0.16) | 3 | 7 | 13 | 12 | (2) |
| Germany | (0.62) | (1) | 1 | 8 | 25 | (6) |
| India | 5.55 | 0 | 3 | (9) | (34) | (185) |
| China# | 2.66 | (2) | 1 | 9 | 14 | 5 |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1009 | (0.2) | (0.6) | (0.2) | (1.5) | (2.5) |
| GBP | 1.2845 | (0.1) | (0.3) | 1.9 | 6.5 | (1.0) |
| JPY | 109.01 | 0 | 0.1 | (0.6) | (2.1) | 4.2 |
| AUD | 0.6841 | (0.1) | (0.8) | 1.0 | 0.6 | (5.2) |
| INR | 71.47 | (0.3) | (1.0) | (0.3) | (0.1) | 1.7 |
| CNY | 7.0079 | 0 | 0 | 0.8 | 0.5 | (0.7) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 27,691 | 0 | 0.7 | 3.4 | 5.4 | 9.5 |
| FTSE | 7,365 | 0.5 | (0.3) | 2.1 | 1.6 | 4.4 |
| DAX | 13,284 | 0.6 | 1.0 | 6.4 | 13.0 | 15.8 |
| NIKKEI | 23,520 | 0.8 | 1.2 | 5.9 | 15.0 | 7.8 |
| Shanghai Comp | 2,915 | 0.2 | (2.6) | (3.1) | 4.2 | 9.8 |
| SENSEX | 40,345 | 0.1 | 0.1 | 5.6 | 9.2 | 14.8 |
| Brent (US\$/bbl) | 62.06 | (0.2) | (1.4) | 4.6 | 1.2 | (5.2) |
| Gold (US\$/oz) | 1,456 | 0 | (1.8) | (2.5) | (3.0) | 21.1 |
| CRB Index | 391.9 | 0.3 | 0.3 | 0 | (1.4) | (5.3) |
| Rogers Agri Index | 731.0 | 0.6 | (0.1) | 0.7 | 5.5 | (5.1) |
| LIBOR (3M)* | 1.90 | 0 | 0 | (10) | (25) | (71) |
| INR 5Y Swap* | 6.46 | (1) | (9) | 7 | 9 | (116) |
| India FII data (US\$ mn) | | | | | | |
| | 8 Nov | 7 Nov | WTD | MTD | CYTD | FYTD |
| FII-Debt | (23.8) | (146.7) | 394.7 | 628.3 | 5,315.2 | 4,770.5 |
| FII-Equity | 748.6 | 126.0 | 1,120.6 | 1,375.5 | 11,598.3 | 4,753.1 |

Source: Bloomberg, Bank of Baroda | ^7.26% GS 2029 | *Indicates change in bps | #1Y yield | Markets in India were closed on 12 Nov 2019

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