

MACRO DAILY

15 January 2020

Macro developments

- As per news reports, government is seeking Rs 190bn as dividend from state oil companies. This would be around 5% higher compared to last year, despite falling profit margins of these companies. Except EIL, all state oil companies have reported a drop in half yearly profits. Dividends and profits of the central government is at Rs 1.58tn (till Nov'19) vs BE of Rs 1.64tn.
- US CPI eased to 0.2% in Dec'19 from 0.3% in Nov'19. This was led by decline in prices of used cars & trucks (-0.8% vs 0.6%), airline ticket (-1.6% vs -0.9%) and household furnishing & operations (-0.4% vs 0%). Core CPI too moderated by 0.1% in Dec'19 vs 0.2% in Nov'19. However, on a YoY basis, CPI rose by 2.3% in Dec'19 compared with 2.1% in Nov'19.
- China's exports rose by 7.6% in Dec'19 vs est.: +3.2% and (-) 1.3% drop in Nov'19. This was largely driven by thawing trade tensions between US and China. However, analysts believe this has more to do with base effect and higher prices rather than revival in global demand. China's imports too jumped by 16.3% vs est.: 9.6% and 0.5% in Nov'19. In CY19 export growth remained muted at 0.5% vs 10% in CY18.

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Markets

- Bonds:** Global yields closed mixed ahead of the US-China trade deal. US 10Y yield fell by 3bps (1.81%). UK 10Y yield also fell by 3bps as weaker GDP print since 2012 raised hopes of a rate cut. Oil prices rose by 0.5% (US\$ 64/bbl). India's 10Y yield closed higher by 7bps (6.67%) as CPI (7.4%) breached MPC's targeted 4%. It is trading at 6.65% today.
- Currency:** Global currencies traded in narrow range ahead of the signing of US-China phase-1 trade deal. CNY rose by 0.1% as China's exports rebounded in Dec'19. INR closed flat. However it is trading lower today in line with other Asian currencies.
- Equity:** Barring Shanghai Comp, other global indices ended higher ahead of the signing of the US-China phase-1 deal and the ongoing earnings season. Amongst other indices, Nikkei (0.7%) gained the most. Sensex too ended in green with metal and auto stocks advancing the most. However, it is trading lower 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 | 1.81 | (3) | (1) | (1) | 4 | (90) |
| UK | 0.72 | (3) | (7) | (7) | 3 | (54) |
| Japan | 0.02 | 2 | 2 | 3 | 19 | 0 |
| Germany | (0.17) | (1) | 11 | 12 | 25 | (38) |
| India | 6.67 | 7 | 11 | (12) | 17 | (59) |
| China | 3.10 | 1 | (4) | (10) | (6) | (4) |
| 2Y yields (Δ bps) | | | | | | |
| US | 1.57 | (1) | 3 | (3) | (5) | (96) |
| UK | 0.49 | 1 | (11) | (5) | (4) | (31) |
| Japan | (0.12) | 1 | 0 | 1 | 15 | 3 |
| Germany | (0.58) | 1 | 4 | 4 | 11 | 4 |
| India | 6.21 | 3 | (1) | 42 | 59 | (79) |
| China | 2.32 | 4 | (1) | (28) | (23) | (9) |
| Currencies (Δ %) | | | | | | |
| EUR | 1.1128 | (0.1) | (0.2) | 0.1 | 0.9 | (2.5) |
| GBP | 1.3019 | 0.2 | (0.8) | (2.3) | 1.8 | 1.2 |
| JPY | 109.99 | 0 | (1.4) | (0.6) | (1.0) | (1.2) |
| AUD | 0.6902 | 0 | 0.5 | 0.4 | 2.2 | (4.2) |
| INR | 70.88 | 0 | 1.3 | (0.1) | 0.9 | 0.2 |
| CNY | 6.8842 | 0.1 | 0.9 | 1.3 | 2.8 | (1.8) |
| Equity & Other indices (Δ %) | | | | | | |
| Dow | 28,940 | 0.1 | 1.2 | 2.9 | 7.1 | 20.3 |
| FTSE | 7,622 | 0.1 | 0.6 | 3.7 | 5.7 | 10.5 |
| DAX | 13,456 | 0 | 1.7 | 1.3 | 6.5 | 23.5 |
| NIKKEI | 24,025 | 0.7 | 1.9 | 0.0 | 8.2 | 16.9 |
| Shanghai Comp | 3,107 | (0.3) | 0.1 | 4.7 | 3.9 | 20.9 |
| SENSEX | 41,953 | 0.2 | 2.7 | 2.3 | 9.0 | 15.5 |
| Brent (US\$/bbl) | 64.49 | 0.5 | (5.5) | (1.1) | 9.8 | 6.3 |
| Gold (US\$/oz) | 1,546 | (0.1) | (1.8) | 4.7 | 4.4 | 19.9 |
| CRB Index | 410.6 | 0.9 | 2.3 | 3.6 | 4.6 | (0.2) |
| Rogers Agri Index | 765.5 | 0.5 | 1.5 | 3.6 | 5.4 | 0.0 |
| LIBOR (3M)* | 1.83 | (1) | (4) | (7) | (17) | (94) |
| INR 5Y Swap* | 6.85 | 5 | 5 | 26 | 39 | (32) |
| India FII data (US\$ mn) | | | | | | |
| | 13 Jan | 10 Jan | WTD | MTD | CYTD | FYTD |
| FII-Debt | (159.4) | (38.2) | (159.4) | (1,097.9) | (1,097.9) | 1,846.3 |
| FII-Equity | 17.1 | 92.6 | 17.1 | 380.1 | 380.1 | 7,769.3 |

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

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