

## MACRO DAILY

17 December 2019

### Macro developments

- As per news reports, Centre is expected to sell 28% of its 54.03% stake in BEML Ltd in order to inch closer to its Rs 1.05tn FY20BE disinvestment target. Government has raised Rs 174bn through disinvestments as of Oct'19 vs Rs 101bn collected in the same period last year. Recently, Cabinet has also approved sale of equity shares of 5 other PSUs- BPCL, SCI, CCI, THDC and NEEPC.
- WPI inflation rose by 0.6% in Nov'19 from 0.2% in Oct'19 led by food inflation (9% in Nov'19 vs 7.6% in Oct'19). Fuel and power index declined to (-) 7.3% in Nov'19. Manufactured product inflation on the other hand remained unchanged (0.8%) while core fell further. High WPI and CPI food inflation implies RBI is unlikely to move policy rates before Q1FY21.
- Manufacturing activity globally is expected to have slumped again in Dec'19. Eurozone's flash manufacturing PMI is at its 2-month low of 45.9 vs 46.9 in Nov'19 led by Germany (43.4 vs 44.1). In Japan as well, flash PMI is lower at 48.8 vs 48.9 in Nov'19 driven by fall in new orders. Input price pressures are also seen building up. Employment remains muted globally.

**Sonal Badhan**

sonal.badhan@bankofbaroda.com

**Sameer Narang**

+91 22 6698 5713

chief.economist@bankofbaroda.com

### Markets

- Bonds:** Except China, global yields closed higher over reports of signing of US-China phase-1 trade deal in Jan'20. US 10Y yield rose by 5bps (1.87%). Oil prices also rose by 0.2% (US\$ 65/bbl) as demand concerns alleviated. India's 10Y yield rose a tad by 1bps (6.8%). It is trading lower at 6.78% today.
- Currency:** Global currencies closed mixed. DXY and JPY fell by (-) 0.2% due to improved risk-sentiment as US and China agreed on a phase-1 trade deal. INR depreciated by (-) 0.3% on rising oil prices. In line with other Asian currencies, it is trading higher today.
- Equity:** Barring Nikkei and Sensex, global indices ended higher driven by optimism over US-China trade deal. European indices gained the most after UK election gave a mandate for swift Brexit. Sensex on the other hand (-0.2%) ended in red, dragged down by metal and consumer durables 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	5	5	4	2	(99)
UK	0.82	3	6	9	13	(44)
Japan	(0.01)	1	(1)	6	14	(5)
Germany	(0.28)	1	3	6	20	(53)
India	6.80	1	14	28	8	(66)
China	3.20	0	0	(4)	11	(18)
<b>2Y yields (Δ bps)</b>						
US	1.63	2	1	2	(13)	(107)
UK	0.60	5	2	4	7	(14)
Japan	(0.12)	0	0	7	12	3
Germany	(0.63)	(1)	1	1	10	(2)
India	5.81	3	8	34	5	(117)
China	2.60	(1)	(1)	(9)	1	10
<b>Currencies (Δ %)</b>						
EUR	1.1144	0.2	0.7	0.8	1.3	(1.8)
GBP	1.3332	0	1.4	3.4	7.2	5.6
JPY	109.55	(0.2)	(0.9)	(0.7)	(1.3)	2.9
AUD	0.6885	0.1	0.9	1.0	0.3	(4.1)
INR	71.00	(0.3)	0.1	1.1	0.8	0.8
CNY	6.9935	(0.2)	0.6	0.2	1.0	(1.4)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,236	0.4	1.2	0.8	4.3	19.7
FTSE	7,519	2.3	3.9	3.0	2.7	11.0
DAX	13,408	0.9	2.3	1.3	8.3	24.5
NIKKEI	23,952	(0.3)	2.2	2.8	8.9	11.4
Shanghai Comp	2,984	0.6	2.4	3.2	(1.5)	14.9
SENSEX	40,939	(0.2)	1.1	1.4	10.3	12.9
Brent (US\$/bbl)	65.34	0.2	1.7	3.2	(5.3)	9.6
Gold (US\$/oz)	1,476	0	1.0	0.5	(1.5)	18.5
CRB Index	398.0	0.4	1.8	1.9	3.0	(4.0)
Rogers Agri Index	748.7	1.3	2.9	3.0	6.0	(3.6)
LIBOR (3M)*	1.90	1	1	0	(25)	(90)
INR 5Y Swap*	6.58	(1)	6	12	17	(62)
<b>India FII data (US\$ mn)</b>						
	<b>13 Dec</b>	<b>12 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(213.8)	86.1	(599.2)	(360.7)	3,884.1	3,339.4
FII-Equity	16.6	(86.9)	61.3	(76.9)	13,295.5	6,450.3

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

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### Economics Research Department

Bank of Baroda

+91 22 6698 5713

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)