

MACRO DAILY

17 January 2020

Macro developments

- UN estimates India's GDP growth to slow down to 5.7% in FY20 from 6.8% in FY19 and 7.6% estimated earlier. This is due to weakness in investment and domestic consumption along with muted manufacturing and service sector activity. However, growth is expected to recover to 6.6% in FY21 supported by both monetary and fiscal measures.
- China's GDP rose by 6% in Q4CY19 (unchanged from Q3), taking the overall CY19 growth to 6.1% (6.6% in CY18), lowest in ~ 28 years. Truce between US-China helped industrial production rise by 6.9% in Dec'19 (est.: 5.9%) vs 6.2% in Nov'19. FAI also improved in Dec'19 as CY19 print rose to 5.4% from 5.2% between Jan-Nov'19. Retail sales growth remained unchanged at 8% in Dec'19 and CY19.
- US retail sales rose for the 3rd consecutive month by 0.3% in Dec'19 on MoM basis, in line with estimates. The print for Nov'19 was also revised upwards to 0.3% (0.2% earlier). Core retail sales rose by 0.5% vs (-) 0.2% in Nov'19. The moderate pickup in consumer spending was on the back of buoyant labour market conditions. Jobless claims for the week ending 11 Jan 2020 also fell by 10,000 to 204,000 compared to the previous week.

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Markets

- Bonds:** Global yields closed mixed amidst varied macro prints-muted new home prices in China, record machinery orders in Japan and buoyant consumer spending in the US. US 10Y yield rose by 2bps (1.81%). Oil prices rose by 1% (US\$ 65/bbl). India's 10Y yield fell by 2bps (6.6%) due to buying from foreign banks and MFs. It is trading at 6.62% today.
- Currency:** Except GBP and CNY, other global currencies closed lower. DXY rose by 0.1% on positive US macro data (retail sales and jobless claims). INR depreciated by (-) 0.2% on the back of higher oil prices and FII outflows. It is trading lower today, in line with other Asian peers.
- Equity:** Global indices closed mixed. Dow gained by 0.9% driven by ongoing earnings results and upbeat macro print. Shanghai Comp fell by (-) 0.5% as investors wait more clarity on phase 1 of US-China trade deal. Sensex rose by 0.1% led by realty and consumer durable stocks. It is trading lower today; while Asian stocks are trading higher.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.81	2	(5)	(6)	6	(94)
UK	0.64	(1)	(18)	(18)	(3)	(69)
Japan	0.02	1	1	3	17	1
Germany	(0.22)	(2)	(4)	6	19	(46)
India	6.60	(2)	7	(20)	11	(67)
China	3.10	0	(3)	(11)	(7)	1
2Y yields (Δ bps)						
US	1.57	1	(1)	(6)	(3)	(100)
UK	0.45	(1)	(14)	(14)	(6)	(37)
Japan	(0.12)	0	0	0	12	4
Germany	(0.59)	0	1	4	8	0
India	6.16	(1)	0	35	57	(86)
China	2.30	0	2	(30)	(26)	(12)
Currencies (Δ %)						
EUR	1.1137	(0.1)	0.3	(0.1)	0.1	(2.2)
GBP	1.3080	0.3	0.1	(1.9)	1.5	0.7
JPY	110.16	(0.2)	(0.6)	(0.6)	(1.4)	(0.8)
AUD	0.6898	(0.1)	0.6	0.2	1.1	(4.1)
INR	70.93	(0.2)	0.4	0.1	0.3	0.1
CNY	6.8789	0.2	0.8	1.6	2.8	(1.5)
Equity & Other indices (Δ %)						
Dow	29,298	0.9	1.2	3.8	8.4	20.2
FTSE	7,610	(0.4)	0.2	1.2	6.0	11.3
DAX	13,429	0	(0.5)	0.2	6.1	23.0
NIKKEI	23,933	0.1	0.8	(0.1)	6.6	17.3
Shanghai Comp	3,074	(0.5)	(0.7)	3.0	3.2	20.1
SENSEX	41,933	0.1	1.2	2.4	7.4	15.3
Brent (US\$/bbl)	64.62	1.0	(1.1)	(1.1)	7.9	5.6
Gold (US\$/oz)	1,553	(0.2)	0	5.2	4.1	20.2
CRB Index	409.4	(0.2)	0.4	2.6	3.8	(1.1)
Rogers Agri Index	755.3	(1.0)	(0.3)	0.9	3.4	(2.4)
LIBOR (3M)*	1.84	(1)	0	(6)	(13)	(94)
INR 5Y Swap*	6.74	(1)	(3)	16	27	(46)
India FII data (US\$ mn)						
	15 Jan	14 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	(124.9)	60.0	(224.4)	(1,162.8)	(1,162.8)	1,781.3
FII-Equity	8.9	(46.7)	(20.7)	342.4	342.4	7,731.6

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

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