

MACRO DAILY

18 November 2019

Macro developments

- India's forex reserves rose to a new lifetime high of US\$ 447.8bn in the week ended 8 Nov 2019. On a weekly basis, forex reserves rose by US\$ 1.7bn vs an increase of US\$ 3.5bn last week. In FYTD20, forex reserves have risen by US\$ 35.9bn vs a decline of (-) 31.3bn last year.
- US industrial production plunged to its 17-month low of (-) 0.8% in Oct'19 vs (-) 0.3% in Sep'19, on MoM basis. This was attributed to a sharp fall in auto production (-7.1%). Manufacturing and mining output declined by (-) 0.1% and (-) 0.7% respectively, in Oct'19. Capacity utilization decreased by 0.8% to 76.7% in Oct'19. In a separate print, retail sales rose by 0.3% in Oct'19 (est.: 0.2%) vs (-) 0.3% in Sep'19, on MoM basis, driven by higher gasoline prices.
- China's PBOC surprised the markets by cutting the 7D-reverse repo rate by 5bps to 2.5% from 2.55%. The move comes in the wake of benign core CPI and two weeks after PBOC had reduced the MLF rate by the same margin (5bps). Separately, MoM gains in new home prices in China remained unchanged at 0.5% in Oct'19, reaffirming weak economic momentum. Price growth eased to 0.1% in tier 1 cities from 0.4% in Sep'19. Similar trends were observed in tier 2 and tier 3 cities.

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Markets

- Bonds:** Global yields closed mixed as optimism prevailed over US-China trade deal. US 10Y yield rose by 1bps (1.83%) supported by slightly better retail sales print in Oct'19. Oil prices rose by 1.6% (US\$ 63/bbl) on falling US rig count. India's 10Y yield fell by 2bps (6.69%) supported by buying from foreign banks and MFs. It is trading flat today.
- Currency:** Safe-haven currencies such as JPY (-0.4%) and DXY (-0.2%) fell on improved risk-sentiment as US-China made progress in trade talks. Other currencies appreciated with AUD (+0.5%) gaining the most. INR is trading higher today, while other Asian currencies are trading mixed.
- Equity:** Barring Shanghai Comp, global indices ended higher as hopes of US and China trade deal resurfaced. Sensex gained by 0.2%, pushed up by consumer durables, banking stocks and supported by DII inflows of Rs 5.4bn. It is trading higher today while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.83	1	(11)	6	28	(123)
UK	0.73	2	(6)	4	26	(68)
Japan	(0.07)	0	(2)	10	16	(17)
Germany	(0.33)	2	(7)	8	35	(70)
India [^]	6.69	(2)	0	1	15	(113)
China	3.24	(1)	(3)	8	22	(12)
2Y yields (Δ bps)						
US	1.61	2	(6)	(1)	13	(119)
UK	0.55	2	0	2	3	(17)
Japan	(0.19)	0	(3)	8	8	(6)
Germany	(0.63)	1	(2)	5	28	(5)
India	5.47	(3)	(9)	(14)	(40)	(191)
China [#]	2.69	2	0	13	17	13
Currencies (Δ %)						
EUR	1.1051	0.3	0.3	0.2	(0.4)	(3.2)
GBP	1.2897	0.1	1.0	0.9	6.2	0.5
JPY	108.80	(0.4)	0.4	0.1	(2.3)	3.6
AUD	0.6817	0.5	(0.7)	0.9	0.6	(7.0)
INR	71.79	0.3	(0.7)	(0.3)	(0.9)	0.2
CNY	7.0081	0.2	(0.2)	1.0	0.5	(1.0)
Equity & Other indices (Δ %)						
Dow	28,005	0.8	1.2	3.6	8.2	10.2
FTSE	7,303	0.1	(0.8)	1.3	2.6	4.1
DAX	13,242	0.5	0.1	4.8	14.5	16.8
NIKKEI	23,303	0.7	(0.4)	3.7	14.1	7.5
Shanghai Comp	2,891	(0.6)	(2.5)	(3.3)	2.4	7.9
SENSEX	40,357	0.2	0.1	4.8	8.0	13.8
Brent (US\$/bbl)	63.30	1.6	1.3	7.8	7.9	(5.2)
Gold (US\$/oz)	1,468	(0.2)	0.6	(0.9)	(3.0)	20.0
CRB Index	391.0	0.1	0	(0.6)	(1.8)	(6.2)
Rogers Agri Index	727.1	(0.4)	(0.5)	0.1	4.7	(6.1)
LIBOR (3M)*	1.90	(1)	0	(10)	(23)	(74)
INR 5Y Swap*	6.46	4	(4)	-	17	(115)
India FII data (US\$ mn)						
	14 Nov	13 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(14.3)	(136.3)	(102.5)	525.8	5,212.6	4,668.0
FII-Equity	(59.8)	211.8	373.2	1,748.7	11,971.4	5,126.2

Source: Bloomberg, Bank of Baroda | [^]7.26% GS 2029 | *Indicates change in bps | #1Y yield

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