

## MACRO DAILY

20 December 2019

### Macro developments

- MPC members voted unanimously to keep policy rate and stance unchanged, though they believe the monetary space to cut rate exists. However, MPC remains prudent on account of sharp acceleration in food prices. Union Budget is also keenly awaited to see how growth evolves. Policy easing will again start once inflation projections turn favourable.
- US existing home sales dropped to 5-month low in Nov'19 to 5.35mn (est.: 5.45mn) vs 5.44mn in Oct'19. Despite lower borrowing costs (30-year fixed mortgage rate is down by 130bps since peak of Nov'18), the sudden dip in sales was on account of falling inventories. In a separate print, jobless claims decreased by 18,000 to 234,000 for the week ending 14 Dec 2019, indicating buoyant labour market conditions.
- Central Banks of England, Indonesia and Taiwan have kept the policy rate steady at 0.75%, 5% and 1.375% respectively. In addition, BoE reduced its growth forecast for Q4CY19 to 0.1% (0.2% earlier). Taiwan increased its GDP forecast for CY20 to 2.57% from 2.34% earlier, owing to signs of revival in global chip industry and telecom manufacturers.

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### Markets

- **Bonds:** Global yields broadly closed higher over progress in US-China trade deal. US 10Y yield was stable at 1.92% awaiting GDP data. Oil prices rose by 0.6% (US\$ 67/bbl). India's 10Y yield rose by 4bps (6.75%). However, it is trading 13bps lower today supported by RBI's special OMO purchase decision of Rs 100bn for long-end securities and OMO sale of Rs 100bn for short-end maturities.
- **Currency:** Global currencies closed mixed. EUR rose by 0.1% as Sweden's central bank ended 5 years of negative interest rates (0% from -0.25%). DXY closed flat. GBP fell by (-) 0.5% as fears of a chaotic Brexit resurfaced. INR is trading lower today on the back of higher oil prices. Asian currencies are trading mixed.
- **Equity:** Barring Nikkei and Dax, other global indices ended higher boosted by trade deal and global policy rate decisions (BoE-steady, Sweden-first hike in 5 years). Dow gained the most (0.5%), followed by FTSE & Sensex. It is trading even higher today, while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.92	0	3	11	14	(89)
UK	0.80	3	(2)	5	17	(46)
Japan	0.00	2	2	8	22	(2)
Germany	(0.24)	1	3	10	27	(46)
India	6.75	4	(3)	27	11	(53)
China	3.23	(1)	4	4	13	(10)
<b>2Y yields (Δ bps)</b>						
US	1.63	0	(3)	3	(11)	(104)
UK	0.56	3	(3)	(2)	4	(18)
Japan	(0.11)	1	2	10	19	4
Germany	(0.63)	0	0	0	10	(3)
India	5.82	3	6	35	8	(108)
China	2.59	0	0	(6)	2	(8)
<b>Currencies (Δ %)</b>						
EUR	1.1122	0.1	(0.1)	0.5	0.7	(2.8)
GBP	1.3009	(0.5)	(1.2)	0.4	3.9	2.8
JPY	109.37	0.2	(0.1)	(0.6)	(1.2)	1.7
AUD	0.6886	0.5	(0.3)	1.1	1.4	(3.1)
INR	71.04	(0.1)	(0.3)	1.1	0.4	(1.9)
CNY	7.0104	(0.1)	(0.4)	0.2	1.2	(1.8)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	28,377	0.5	0.9	1.2	4.7	24.1
FTSE	7,574	0.4	4.1	3.6	3.0	12.8
DAX	13,212	(0.1)	(0.1)	0	6.1	24.5
NIKKEI	23,865	(0.3)	1.9	1.9	8.3	17.0
Shanghai Comp	3,017	0	3.5	3.7	0.6	19.0
SENSEX	41,674	0.3	2.7	3.4	15.5	14.4
Brent (US\$/bbl)	66.54	0.6	3.6	6.6	3.3	22.4
Gold (US\$/oz)	1,479	0.2	0.6	0.5	(1.3)	17.4
CRB Index	398.3	0	0.9	2.4	3.3	(3.3)
Rogers Agri Index	746.7	0	1.5	3.0	6.5	(2.8)
LIBOR (3M)*	1.91	1	2	1	(25)	(92)
INR 5Y Swap*	6.64	1	6	17	30	(51)
<b>India FII data (US\$ mn)</b>						
	<b>18 Dec</b>	<b>17 Dec</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	64.5	(86.7)	18.7	(342.0)	3,902.8	3,358.1
FII-Equity	260.7	170.9	554.2	477.3	13,849.7	7,004.5

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

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