

MACRO DAILY

22 November 2019

Macro developments

- OECD has cut India's GDP forecast to 5.8% in FY20 from 5.9% earlier and 6.8% in FY19. Stress in NBFCs, dwindling consumer confidence and stress in construction sector and industrial production have all contributed to the slowdown. However, growth is expected to pick up to 6.2% in FY21 and 6.4% in FY22 on the back of accommodative monetary and fiscal policies. Global GDP is expected to grow by 2.9% in CY19, a 10-year low.
- US existing home sales rose at its fastest pace in more than 2-years by 1.9% to 5.46mn units vs 5.36mn units in Sep'19. This was on the back of lower mortgage rates (30-year mortgage rate fell by 130bps since Nov'18 peak) and shortage of properties for sale (median housing prices rose by 6.2%, strongest increase since Jun'17). In a separate print, jobless claims were flat at 227,000 for the week ending 16 Nov 2019.
- ECB minutes signaled a hawkish tone and supported a more 'wait and see' approach. Members noted that impact of introducing the new euro short term rate and the two-tier remuneration system will curb the excess reserves. In addition, due to rising uncertainty and protectionism, outlook to growth will be on the downside. Separately, Eurozone flash consumer confidence improved marginally to (-) 7.2 in Nov'19 from (-) 7.6 in Oct'19.

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Markets

- Bonds:** Except Japan and China, global yields closed higher over mixed signals on US-China trade deal. US 10Y yield rose by 3bps (1.77%). Oil prices rose by 2.5% (US\$ 64/bbl) as reports suggested another 3-month extension in OPEC's production cut is likely in Dec'19. Thus, India's 10Y yield rose by 5bps (6.66%). It is trading flat today.
- Currency:** Global currencies traded in narrow ranges as developments in US-China trade deal remained in focus. DXY rose by 0.1%. INR rose by 0.1% even as oil prices rose by 2.5% to a 3-month high. It opened flat today while Asian currencies are trading mixed.
- Equity:** Led by news of possible delay in the US-China trade deal, pushed global indices lower. Nikkei (-0.5%) dropped the most followed by FTSE and Shanghai Comp (-0.3% each). Sensex too ended in red dragged down by metal and auto stocks. It is trading lower; 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	1.77	3	(5)	(3)	16	(129)
UK	0.75	2	5	0	24	(67)
Japan	(0.11)	0	(4)	2	13	(21)
Germany	(0.33)	2	3	2	32	(70)
India [^]	6.66	5	(5)	(4)	10	(105)
China	3.17	(1)	(8)	(5)	11	(23)
2Y yields (Δ bps)						
US	1.60	3	1	(2)	(1)	(121)
UK	0.58	1	5	3	5	(19)
Japan	(0.19)	2	0	4	11	(5)
Germany	(0.62)	2	2	4	24	(5)
India	5.44	(1)	(6)	(14)	(37)	(187)
China [#]	2.64	0	(3)	9	4	11
Currencies (Δ %)						
EUR	1.1059	(0.1)	0.3	(0.8)	(0.2)	(3.0)
GBP	1.2914	(0.1)	0.2	(0.4)	5.4	0.3
JPY	108.63	0	(0.2)	0	(2.1)	3.8
AUD	0.6787	(0.2)	0	(1.2)	0.4	(6.4)
INR	71.76	0.1	0.3	(0.9)	0.1	(1.5)
CNY	7.0289	0.1	(0.1)	0.7	0.8	(1.4)
Equity & Other indices (Δ %)						
Dow	27,766	(0.2)	(0.1)	3.5	5.8	13.5
FTSE	7,239	(0.3)	(0.7)	1.0	1.5	4.0
DAX	13,138	(0.2)	(0.3)	3.1	11.8	17.9
NIKKEI	23,039	(0.5)	(0.4)	2.2	11.7	6.4
Shanghai Comp	2,904	(0.3)	(0.2)	(1.2)	0.7	9.8
SENSEX	40,575	(0.2)	0.7	3.2	11.2	16.0
Brent (US\$/bbl)	63.97	2.5	2.7	8.5	6.8	2.2
Gold (US\$/oz)	1,464	(0.5)	(0.5)	(1.4)	(2.2)	19.2
CRB Index	388.0	(0.2)	(0.6)	(1.1)	(1.7)	(6.8)
Rogers Agri Index	722.8	(0.2)	(1.0)	(0.6)	5.3	(6.3)
LIBOR (3M)*	1.90	0	(1)	(4)	(23)	(79)
INR 5Y Swap*	6.41	(6)	-	(6)	16	(112)
India FII data (US\$ mn)						
	20 Nov	19 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	(339.1)	(51.7)	(516.0)	(69.7)	4,617.2	4,072.5
FII-Equity	59.7	(87.2)	(101.3)	1,484.7	11,707.5	4,862.3

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

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