

MACRO DAILY

27 December 2019

Macro developments

- In order to balance liquidity mismatches, RBI announced another round of simultaneous OMO purchase (long end securities) and sale (short end) of Rs 100bn each. This will lower the gap between long and short end yields (144bps in Dec'19 vs 132bps in Nov'19). In CYTD19, OMO purchase has been Rs 1.6tn. System liquidity is currently in surplus of Rs 2.3tn.
- RBI reported that currency in circulation (CIC) declined by Rs 128.2bn and stood at Rs 22.7tn for the week ending 20 Dec 2019. Reserve money rose by 13.2% on a YoY basis, compared with 16.9% a year ago. On a FYTD basis, reserve money increased by 5% as against 6.3% last year.
- US jobless claims fell for the second straight week to 222,000 (earlier 235,000) for the week ending 21 Dec 2019. However the print was weaker than expectation of 220,000. Labour market conditions on a sustained basis have remained resilient with unemployment at 3.5% in Nov'19, which has supported modest growth in the US.

Dipanwita Mazumdar

dipanwita.mazumdar@bankofbaroda.com

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Markets

- Bonds:** Global yields traded in a narrow range. US 10Y yield fell by 1bps (1.89%), following US\$ 32bn treasury auction. Oil prices rose by 1.1% (US\$ 68/bbl) on the back of production cuts by OPEC+ and strong US consumption demand. India's 10Y yield closed flat at 6.58% and is trading much lower at 6.51% today, following RBI's special OMO operation.
- Currency:** Barring INR and JPY, other major global currencies closed higher. DXY (-0.1%) fell for the 3rd straight session after US reported a weaker than expected jobless claims data. INR too dropped by (-) 0.1% on account of higher oil prices. It is trading higher today, while other Asian currencies are trading mixed.
- Equity:** Global indices closed mixed. While Dow reached a life-time high gaining 0.4%, Shanghai Comp rose by 0.8%, supported by US-China trade deal. Sensex fell by (-) 0.7% dragged down by banking and capital goods stocks. 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
10Y yields (Δ bps)						
US	1.89	(1)	(3)	14	20	(87)
UK	0.77	0	(4)	7	25	(54)
Japan	(0.01)	(2)	(1)	7	24	(4)
Germany	(0.24)	0	(1)	11	34	(47)
India	6.58	0	(17)	11	(14)	(69)
China	3.12	(5)	(12)	(8)	(2)	(19)
2Y yields (Δ bps)						
US	1.63	1	0	2	(2)	(93)
UK	0.56	0	1	4	12	(21)
Japan	(0.12)	(2)	(1)	7	21	1
Germany	(0.62)	0	1	1	13	1
India	5.79	(2)	(3)	37	0	(104)
China	2.34	(9)	(25)	(30)	(22)	(35)
Currencies (Δ %)						
EUR	1.1098	0.1	(0.2)	0.8	1.6	(2.9)
GBP	1.2993	0.4	(0.1)	0.7	5.4	2.8
JPY	109.63	(0.2)	(0.2)	(0.6)	(1.7)	1.2
AUD	0.6945	0.3	0.9	2.4	2.9	(1.3)
INR	71.31	(0.1)	(0.4)	0.6	(0.6)	(1.4)
CNY	6.9965	0.2	0.2	0.6	1.9	(1.9)
Equity & Other indices (Δ %)						
Dow	28,621	0.4	0.9	2.0	6.4	23.7
FTSE	7,632	0.1	1.4	3.2	3.8	15.9
DAX	13,301	(0.1)	(0.8)	0.4	8.2	28.1
NIKKEI	23,925	0.4	0.3	2.7	8.5	19.2
Shanghai Comp	3,007	0.8	(0.3)	3.5	2.7	21.1
SENSEX	41,164	(0.7)	(1.2)	0.7	5.6	15.0
Brent (US\$/bbl)	67.92	1.1	2.1	6.7	8.3	30.2
Gold (US\$/oz)	1,512	0.8	2.2	3.9	0.4	18.5
CRB Index	399.5	0.2	0.3	3.1	3.0	(2.6)
Rogers Agri Index	750.9	0.4	0.6	2.8	6.7	(0.7)
LIBOR (3M)*	1.96	1	6	4	(14)	(84)
INR 5Y Swap*	6.72	8	8	32	41	(48)
India FII data (US\$ mn)						
	24 Dec	23 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	(2.2)	102.4	100.2	(896.2)	3,348.6	2,803.9
FII-Equity	(1.6)	315.1	313.5	974.8	14,347.2	7,502.0

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com