

MACRO DAILY

27 January 2020

Macro developments

- India's forex reserves rose to a fresh lifetime high of US\$ 462.2bn in the week ended 17 Jan 2020. On a weekly basis, forex reserves rose by US\$ 943mn vs US\$ 57mn last week. In FYTD20, forex reserves have risen by US\$ 50.3bn vs a depletion of (-) US\$ 27.7bn in the same period last year.
- Japan's CPI rose by 0.8% in Dec'19 from 0.5% in Nov'19 on a YoY basis. The uptick was due to the impact of higher sales tax (10% w.e.f Oct'19 from 8% earlier). Core CPI too inched up to 0.9% from 0.6% in Nov'19, driven by higher prices of clothes & footwear, medical care and transportation & communication. Taking out the impact of higher sales tax CPI rose by 0.4% in Dec'19 and core CPI was up by 0.6%.
- Manufacturing and services activity improved globally. In the Eurozone, flash manufacturing PMI rose to its 9-month high of 47.8 vs 46.3 in Dec'19. Services PMI print was at 52.2 vs 52.8 in Dec'19. In Japan, as well manufacturing PMI rose to 49.3 vs 48.4 in Dec'19. Services activity also inched up (PMI print at 52.1 vs 49.4 in Dec'19). Employment picked up considerably. Input costs also remained elevated.

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Markets

- Bonds:** Global yields closed lower as risk appetite deteriorated amidst concerns over coronavirus. US 10Y yield fell by 5bps (1.68%). Oil prices fell by (-) 2.2% (US\$ 61/bbl) amidst fears of slowdown in China. India's 10Y yield fell by 2bps (6.58%) taking global cues. It is trading lower at 6.56% today.
- Currency:** Barring JPY, other global currencies fell amidst concerns over the spread of the coronavirus outbreak. JPY and DXY rose by 0.2% on safe-haven demand. INR depreciated by (-) 0.1%. It is trading further lower today in line with other Asian currencies.
- Equity:** Except Dow, global indices closed higher as both manufacturing and services PMI improved globally. European indices gained the most with Dax surging by 1.4%. Sensex (0.5%) too ended in green with cap goods and consumer durables stocks advancing the most. It was further supported by DII inflow of Rs 4.1bn. It is trading lower 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	1.68	(5)	(14)	(22)	(11)	(107)
UK	0.56	(3)	(7)	(21)	(12)	(74)
Japan	(0.02)	0	(2)	0	12	(2)
Germany	(0.34)	(3)	(12)	(9)	3	(53)
India	6.58	(2)	(4)	0	8	(75)
China	3.00	(2)	(9)	(16)	(24)	(13)
2Y yields (Δ bps)						
US	1.49	(2)	(6)	(13)	(12)	(111)
UK	0.42	0	1	(14)	(10)	(37)
Japan	(0.13)	0	1	(1)	10	4
Germany	(0.61)	(1)	(2)	1	4	(3)
India	6.10	(3)	(7)	28	51	(90)
China	2.23	(7)	(5)	(36)	(37)	(19)
Currencies (Δ %)						
EUR	1.1025	(0.3)	(0.6)	(0.6)	(0.5)	(3.3)
GBP	1.3073	(0.4)	0.4	0.9	1.9	(0.9)
JPY	109.28	0.2	0.8	0.1	(0.6)	0.2
AUD	0.6832	(0.2)	(0.7)	(1.3)	0.1	(4.8)
INR	71.33	(0.1)	(0.4)	(0.1)	(0.6)	(0.2)
CNY	6.9426	(0.5)	(0.9)	0.9	1.7	(2.3)
Equity & Other indices (Δ %)						
Dow	28,990	(0.6)	(1.2)	1.7	7.5	17.2
FTSE	7,586	1.0	(1.2)	(0.6)	3.6	11.4
DAX	13,577	1.4	0.4	2.1	5.3	20.3
NIKKEI	23,827	0.1	(0.9)	0.2	4.5	14.7
Shanghai Comp	2,977	(2.7)	(3.2)	(0.2)	0.7	14.4
SENSEX	41,613	0.5	(0.8)	0.4	6.5	15.5
Brent (US\$/bbl)	60.69	(2.2)	(6.4)	(9.7)	(2.1)	(1.5)
Gold (US\$/oz)	1,572	0.5	0.9	4.8	4.4	20.4
CRB Index	408.5	(0.1)	(0.5)	2.4	4.5	(0.8)
Rogers Agri Index	752.3	(1.3)	(1.5)	0.6	3.4	(3.2)
LIBOR (3M)*	1.80	0	(2)	(17)	(13)	(96)
INR 5Y Swap*	6.69	(6)	(9)	3	17	(49)
India FII data (US\$ mn)						
	23 Jan	22 Jan	WTD	MTD	CYTD	FYTD
FII-Debt	35.9	130.2	15.7	(1,555.5)	(1,555.5)	1,388.6
FII-Equity	210.1	4.0	635.7	2,150.6	2,150.6	9,539.8

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | Markets in China were closed on 24.1.20

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