

MACRO DAILY

29 November 2019

Macro developments

- Central government presented bill for additional spending of Rs 212bn in the parliament. Of this, Rs 88.2bn has been sought for grants to J&K and Ladakh; Rs 45.6bn for infusion into IDBI through recap bonds; and Rs 33.9bn for expenditure on police. For FY20 government had budgeted Rs 27.9tn as total expenditure, of which Rs 14.9tn has been spent in H1FY20.
- Bank of Korea has kept the policy rate unchanged at 1.25%, after two consecutive rate cuts earlier. It also expects growth to remain muted in the remaining part of CY19 and CY20 with GDP expected around 2% vs 2.2% and 2.5% (earlier) respectively. Analysts expect BoK to remain on hold until early next year to see the impact of 50bps rate cut on growth and household debt and US-China trade deal progress.
- Economic sentiment in the Euro Area improved marginally to 101.3 in Nov'19 from 100.8 in Oct'19. Overall consumer confidence was at (-) 7.2 from (-) 7.6 for the same period. Improved confidence in both current and future economic situation reflect that the economy may emerge out of the slump amidst trade uncertainty and global growth slowdown.

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Markets

- Bonds:** Global yields closed mixed as investors continued to monitor development in the US-China trade deal. 10Y yield in both US and UK ended flat. Oil prices decreased by 0.3% (US\$ 63.8/bbl). India's 10Y yield closed lower by 1bps (6.46%) ahead of the release of the Q2FY20 GDP print. It is trading flat today.
- Currency:** Global currencies ended mixed. EUR rose the most by 0.1% on the back of improvement in economic sentiment index. INR declined by (-) 0.4% ahead of the GDP data release and is trading further lower today. Other Asian currencies are trading mixed.
- Equity:** Barring Sensex, global indices ended lower as US- China trade deal continued to remain in focus. Shanghai Comp (-0.5%) fell the most followed by Dax (-0.3%) and FTSE (-0.2%). On the other hand, Sensex surged by 0.3% led by gains in metal, real estate and tech stocks. 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	1.77	0	(1)	(8)	27	(126)
UK	0.68	0	(8)	(5)	24	(69)
Japan	(0.08)	3	2	4	20	(16)
Germany	(0.36)	1	(4)	(3)	33	(68)
India	6.46	(1)	(5)	(6)	(9)	(115)
China	3.18	0	1	(11)	15	(20)
2Y yields (Δ bps)						
US	1.63	0	2	(2)	11	(118)
UK	0.52	0	(6)	(3)	15	(25)
Japan	(0.18)	2	1	3	13	(4)
Germany	(0.63)	0	(1)	1	27	(4)
India	5.36	(1)	(8)	(18)	(41)	(189)
China#	2.64	0	(1)	1	5	13
Currencies (Δ %)						
EUR	1.1009	0.1	(0.5)	(0.8)	(0.4)	(3.4)
GBP	1.2912	(0.1)	0	0.4	6.0	0.9
JPY	109.51	0	(0.8)	(0.5)	(2.8)	3.5
AUD	0.6770	(0.1)	(0.3)	(1.0)	0.6	(7.5)
INR	71.62	(0.4)	0.2	(1.1)	0.2	(2.5)
CNY	7.0353	(0.1)	(0.1)	0.5	1.5	(1.3)
Equity & Other indices (Δ %)						
Dow	28,164	0.2	1.4	4.0	6.8	11.1
FTSE	7,416	(0.2)	2.5	1.2	3.2	5.4
DAX	13,246	(0.3)	0.8	2.3	11.9	17.2
NIKKEI	23,409	(0.1)	1.6	2.4	14.4	5.2
Shanghai Comp	2,890	(0.5)	(0.5)	(3.0)	0	12.6
SENSEX	41,130	0.3	1.4	3.3	11.0	13.7
Brent (US\$/bbl)	63.87	(0.3)	(0.2)	3.7	4.6	7.3
Gold (US\$/oz)	1,456	0.1	(0.6)	(2.4)	(4.7)	19.0
CRB Index	387.0	0	(0.2)	(1.0)	(0.3)	(6.6)
Rogers Agri Index	724.7	(0.3)	0.3	(0.2)	5.7	(5.9)
LIBOR (3M)*	1.91	1	1	(2)	(22)	(82)
INR 5Y Swap*	6.38	(3)	(4)	(14)	15	(110)
India FII data (US\$ mn)						
	27 Nov	26 Nov	WTD	MTD	CYTD	FYTD
FII-Debt	71.0	(170.3)	(150.2)	(207.9)	4,478.9	3,934.2
FII-Equity	(147.6)	630.7	760.4	3,026.7	13,249.5	6,404.3

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield

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