

MACRO DAILY

30 December 2019

Macro developments

- RBI's FSR highlighted capital adequacy of SCBs has improved after PSB recap. Provision coverage ratio of SCBs has also improved from 60.5% in Mar'19 to 61.5% in Sep'19, signalling banking sector's resilience. However, baseline scenario projects that GNPA ratio might inch up from 9.3% in Sep'19 to 9.9% in Sep'20 on account of marginal increase in slippages, changing macroeconomic scenario and declining credit growth.
- China's industrial profits rose by 5.4% in Nov'19 vs (-) 9.9% in Oct'19 driven by improvement in production and sales and easing contraction in PPI. However, on CYTD basis the trend remains downward with (-) 2.1% decline in profits vs (-) 2.9% between Jan-Oct'19, owing to SoEs (-11.2%). Profits of private firms have increased by 6.5% in Jan-Nov'19.
- Industrial production in Japan declined by (-) 0.9% in Nov'19 (est. -1.1%) and (-) 4.5% in Oct'19. While production of cars and car engines recovered in Nov'19, machinery and information equipment output contracted. In a separate print, retail sales contracted by (-) 2.1% in Nov'19 vs (-) 7.1% in Oct'19 after the government raised sales tax. The dismal data raised expectations that GDP growth is likely to contract in Q4CY19.

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Markets

- **Bonds:** Barring China and Japan, global yields closed lower. US 10Y yield fell by 2bps (1.88%) driven by steady demand in auctions. Oil prices rose by 0.4% (US\$ 68.2/bbl), led by higher than estimated drop in US commercial stockpiles. India's 10Y yield fell by 8bps to 6.51% after RBI announced another round of special OMO operation. It is trading flat today.
- **Currency:** Except INR, other major global currencies closed higher. DXY fell by (-) 0.6% on improved risk sentiment as US and China made progress in trade deal. EUR and GBP rose by 0.7%. INR depreciated for the 6th straight session (-0.1%) due to higher oil prices. It is trading lower today, while other Asian currencies are trading higher.
- **Equity:** Apart from Nikkei and Shanghai Comp, global indices closed higher as investors continue to track developments over US-China trade deal. Sensex surged by 1% and was supported by DII inflow of Rs 1.25bn. It is trading higher today; while Asian stocks are trading lower.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.88	(2)	(4)	11	21	(89)
UK	0.76	(1)	(3)	8	27	(55)
Japan	0	1	(1)	11	21	(3)
Germany	(0.26)	(1)	0	12	32	(49)
India	6.51	(8)	(10)	3	(20)	(77)
China	3.13	2	(7)	(5)	(1)	(18)
2Y yields (Δ bps)						
US	1.58	(5)	(5)	(4)	(4)	(98)
UK	0.57	0	2	5	20	(21)
Japan	(0.12)	(1)	(3)	7	19	0
Germany	(0.63)	(1)	0	0	14	(1)
India	5.82	3	(6)	45	4	(101)
China	2.28	(5)	(30)	(35)	(27)	(41)
Currencies (Δ %)						
EUR	1.1177	0.7	0.9	1.6	2.6	(2.2)
GBP	1.3078	0.7	0.6	1.2	6.4	3.4
JPY	109.44	0.2	0	0.1	(1.3)	1.4
AUD	0.6980	0.5	1.2	3.0	3.4	(0.8)
INR	71.35	(0.1)	(0.3)	0	(0.7)	(1.4)
CNY	6.9957	0	0.2	0.5	2.1	(1.9)
Equity & Other indices (Δ %)						
Dow	28,645	0.1	0.7	1.7	6.4	23.8
FTSE	7,645	0.2	0.8	2.9	3.2	16.1
DAX	13,337	0.3	0.1	0.4	7.3	28.5
NIKKEI	23,838	(0.4)	0.1	1.7	9.6	18.7
Shanghai Comp	3,005	(0.1)	0	3.5	3.4	21.0
SENSEX	41,575	1.0	(0.3)	1.4	7.5	16.1
Brent (US\$/bbl)	68.16	0.4	3.1	6.4	12.1	30.7
Gold (US\$/oz)	1,511	(0.1)	2.2	3.9	2.6	18.4
CRB Index	401.0	0.4	0.7	3.6	3.5	(2.2)
Rogers Agri Index	756.8	0.8	1.3	4.4	6.2	0.1
LIBOR (3M)*	1.94	(2)	1	3	(14)	(86)
INR 5Y Swap*	6.74	3	11	34	37	(46)
India FII data (US\$ mn)						
	26 Dec	24 Dec	WTD	MTD	CYTD	FYTD
FII-Debt	346.3	(2.2)	446.5	(549.8)	3,694.9	3,150.3
FII-Equity	18.5	(1.6)	332.0	993.3	14,365.7	7,520.5

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | European markets were closed on 27.12.19

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