

## MACRO DAILY

25 October 2019

### Macro developments

- BJP led alliance is set to be in power in Maharashtra and Haryana with 161 and 40 seats respectively out of 288 and 90 seats. However, the number is a tad lower compared to 2014. Separately, Supreme Court ruling on AGR definition change is set to put pressure on the incumbent telecom players. This will put an additional burden of Rs 920bn to the sector.
- Flash PMI data indicated worsening outlook for manufacturing activity in the Eurozone with reading at 45.7 in Oct'19. This was driven by 2<sup>nd</sup> consecutive decrease in new orders. However, services activity is expected to be above the 50 mark at 51.8 in Oct'19 vs 51.6 in Sep'19. Price pressure remained muted. ECB's current policy made no significant change while reflecting a dovish tone in the last press conference of Mario Draghi.
- US durable goods orders declined by (-) 1.1% in Sep'19 (est.: -0.6%) vs 0.3% increase in Aug'19. This has been the sharpest pace of decline since May'19. Proxy for business spending declined by (-) 0.5%. In a separate print, US new home sales also fell by (-) 0.7% to 701,000 units in Sep'19, despite drop in 30-year mortgage rate by more than 125bps since Nov'18.

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### Markets

- **Bonds:** Global yields closed mixed. Investors seek clarity on Brexit as British PM called for a national election to break the Brexit deadlock. Further comments from US vice president fuelled concerns on US-China trade deal. US 10Y yield closed flat, UK 10Y yield fell by 6bps. Oil prices rose by 0.8% (US\$ 62/bbl). India's 10Y closed flat at 6.69% and is stable today.
- **Currency:** Except JPY, global currencies depreciated as global growth concerns persisted from benign macro print in the US, Eurozone and South Korea. GBP depreciated by 0.5%. INR also depreciated by 0.2%. It was trading weaker today, while Asian currencies were trading mixed.
- **Equity:** Global indices closed mixed amidst Brexit and US-China trade deal uncertainty. Muted earnings also impinged on market sentiments. Sensex fell by 0.1%. It is however, trading higher today.



**FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES**

Particulars	Current	1D	1W	1M	3M	12M
<b>10Y yields (Δ bps)</b>						
US	1.77	0	1	4	(32)	(135)
UK	0.63	(6)	(5)	7	(9)	(82)
Japan	(0.14)	0	1	7	1	(26)
Germany	(0.40)	(1)	0	18	(4)	(80)
India <sup>^</sup>	6.69	0	(2)	(6)	18	(118)
China	3.22	1	5	11	5	(33)
<b>2Y yields (Δ bps)</b>						
US	1.58	0	(2)	(10)	(29)	(127)
UK	0.48	(5)	(3)	(1)	(3)	(27)
Japan	(0.24)	0	1	5	(4)	(12)
Germany	(0.67)	(1)	0	8	9	(5)
India	5.54	(3)	(6)	(25)	(55)	(205)
China <sup>#</sup>	2.62	3	6	9	4	(26)
<b>Currencies (Δ %)</b>						
EUR	1.104	(0.2)	(0.2)	1.0	(0.4)	(2.4)
GBP	1.2851	(0.5)	(0.3)	3.4	3.2	0.3
JPY	108.61	0.1	0	(1.0)	0.0	3.4
AUD	0.6819	(0.5)	(0.1)	0.7	(1.9)	(3.7)
INR	71.02	(0.2)	0.2	(0.1)	(2.9)	3.1
CNY	7.0690	(0.1)	0.1	0.7	(2.9)	(1.7)
<b>Equity &amp; Other indices (Δ %)</b>						
Dow	26,806	(0.1)	(0.8)	(0.5)	(1.2)	7.3
FTSE	7,328	0.9	2.0	0	(2.1)	4.6
DAX	12,872	0.6	1.7	4.3	4.1	13.8
NIKKEI	22,751	0.6	1.3	3.0	4.6	7.0
Shanghai Comp	2,941	0	(1.2)	(1.2)	0.1	12.9
SENSEX	39,020	(0.1)	(0.1)	(0.2)	3.1	15.8
Brent (US\$/bbl)	61.67	0.8	2.9	(4.8)	(2.7)	(19.8)
Gold (US\$/oz)	1,504	0.8	0.8	(1.2)	6.3	22.1
CRB Index	391.1	(0.2)	(0.8)	1.3	(4.0)	(5.9)
Rogers Agri Index	727.3	(0.1)	(0.4)	3.4	(1.2)	(6.2)
LIBOR (3M)*	1.94	0	(3)	(17)	(32)	(57)
INR 5Y Swap*	6.62	(1)	15	22	2	(102)
<b>India FII data (US\$ mn)</b>						
	<b>23 Oct</b>	<b>22 Oct</b>	<b>WTD</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-Debt	(87.1)	44.9	(42.1)	63.5	4,036.8	3,492.2
FII-Equity	(21.0)	(151.5)	(172.5)	581.2	8,741.9	1,896.7

Source: Bloomberg, Bank of Baroda | <sup>^</sup>7.26% GS 2029 | \*Indicates change in bps | #1Y yield

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