

MACRO DAILY

30 October 2019

Macro developments

- As per news reports, a Committee of Secretaries (CoS) will be formed to look at options for relief package to the telecom sector, in the wake of SC's current ruling on AGR. CoS will consider proposals such as: providing two-year moratorium on spectrum payments-for FY20 & FY21, reduction in USOF component of license fee (5% of AGR) and in spectrum usage charges. This would ensure financial viability of the sector.
- US consumer confidence dropped to 125.9 in Oct'19 vs 126.3 in Sep'19 and est.: 128, lowest reading since Jun'19. While the consumers remained confident about the present conditions. Future expectations took a hit led by growing concerns over business conditions and job prospects. This comes ahead of the expectation of rate cut by Fed.
- Retail sales in Japan rose to its highest since CY14 by 9.1% in Sep'19 on YoY basis vs 2% in Aug'19. On a MoM basis as well, retail sales increased at a far higher pace (7.1%) than estimated (3.5%). This was driven by higher sales of cars and household durables, due to front loading of spending before the sales tax increase (10% vs 8% earlier) w.e.f 01 Oct 2019.

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Markets

- Bonds:** Global yields closed mixed amidst delay in US-China trade deal and uncertainty over national election dates in UK. US 10Y yield closed flat awaiting Fed's guidance on future course of fund rate. UK 10Y yield fell by 1bps. Oil prices closed flat (US\$ 62/bbl). India's 10Y yield rose by 1bps (6.69%) due to selling from private banks. It is trading at 6.68% today.
- Currency:** Barring GBP and CNY, global currencies appreciated against the dollar. DXY fell by (-) 0.1% as markets await US Fed's policy decision. Parliamentary elections in UK in Dec'19 also impacted investor sentiments. INR appreciated by 0.1%. It is trading lower today, while other Asian currencies are trading mixed.
- Equity:** Global indices closed mixed as investors monitor US-China trade progress and await Fed's interest rate decision. FTSE dropped by (-) 0.3% on the back of general election scheduled in Dec'19. Sensex surged by 2% led by power, realty stocks and supported by DII inflows of Rs 1.4bn. 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	1.84	0	8	16	(22)	(128)
UK	0.71	(1)	0	21	8	(69)
Japan	(0.10)	2	2	13	5	(22)
Germany	(0.35)	(2)	2	22	5	(72)
India [^]	6.69	1	(2)	(4)	30	(114)
China	3.31	2	9	17	13	(23)
2Y yields (Δ bps)						
US	1.64	0	5	1	(20)	(121)
UK	0.54	0	2	14	9	(18)
Japan	(0.20)	1	3	12	1	(8)
Germany	(0.63)	1	3	14	13	(1)
India	5.54	(5)	(4)	(27)	(51)	(206)
China [#]	2.63	0	3	8	5	(19)
Currencies (Δ %)						
EUR	1.1112	0.1	(0.1)	1.6	(0.4)	(2.1)
GBP	1.2862	0	(0.1)	4.6	5.8	1.2
JPY	108.89	0.1	(0.4)	(0.9)	(0.3)	3.7
AUD	0.6865	0.4	0.1	1.5	(0.1)	(3.4)
INR	70.84	0.1	0.1	(0.4)	(2.9)	3.8
CNY	7.0658	0	0.2	0.8	(2.6)	(1.4)
Equity & Other indices (Δ %)						
Dow	27,071	(0.1)	1.1	0.9	(0.5)	8.8
FTSE	7,306	(0.3)	1.3	(1.6)	(4.5)	3.8
DAX	12,940	0	1.4	4.5	6.5	14.6
NIKKEI	22,974	0.5	1.9	5.0	5.8	7.1
Shanghai Comp	2,954	(0.9)	0	0.8	0.1	15.0
SENSEX	39,832	2.0	2.2	2.6	6.5	17.5
Brent (US\$/bbl)	61.59	0	3.2	(0.5)	(4.8)	(18.9)
Gold (US\$/oz)	1,488	(0.3)	0	(0.6)	4.0	21.7
CRB Index	391.6	0.2	(0.2)	1.0	(3.3)	(5.8)
Rogers Agri Index	726.4	0	0	3.2	(0.5)	(5.8)
LIBOR (3M)*	1.94	1	0	(16)	(32)	(61)
INR 5Y Swap*	6.53	2	(1)	15	(6)	(116)
India FII data (US\$ mn)						
	25 Oct	24 Oct	WTD	MTD	CYTD	FYTD
FII-Debt	202.2	(54.0)	106.0	211.6	4,185.0	3,640.4
FII-Equity	(57.5)	(27.3)	(257.3)	496.4	8,657.2	1,812.0

Source: Bloomberg, Bank of Baroda | [^]7.26% GS 2029 | *Indicates change in bps | #1Y yield

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