

RESEARCH
BOB Economics Research | Weekly Wrap

FOMC and RBI minutes to take centre stage

SUMMARY
India Economics: Weekly Wrap

Global economy is slowing down with weak industrial output in US, China and Japan. Export driven Germany and Hong Kong reported contraction in GDP in Q2CY19. As a result, global yields and equity markets fell. DXY gained after US postponed additional tariff on China. On the domestic front, lower non-oil-non-gold imports signalled weak domestic demand. Government may announce a stimulus/reform package which led to 5bps increase in 10Y bond yield. Global macro data and news on stimulus will drive markets this week.

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TOP PICKS
LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	595
GAIL	Buy	175
ONGC	Buy	175
TCS	Add	2,360
HPCL	Sell	200

MID-CAP IDEAS

Company	Rating	Target
Balkrishna Ind	Buy	1,290
Future Supply	Buy	715
Greenply Industries	Buy	195
Laurus Labs	Buy	480
PNC Infratech	Buy	250

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.55	3bps	(49bps)	(131bps)
India 10Y yield (%)	6.55	(9bps)	20bps	(132bps)
USD/INR	71.16	0.2	(3.4)	(1.4)
Brent Crude (US\$/bbl)	58.64	0.7	(7.9)	(18.4)
Dow	25,886	1.2	(4.9)	0.8
Shanghai	2,824	0.3	(3.7)	5.8
Sensex	37,350	0.1	(4.8)	(1.6)
India FII (US\$ mn)	14 Aug	MTD	CYTD	FYTD
FII-D	64.8	174.5	2,828.5	2,283.8
FII-E	284.8	(1,279.7)	8,124.9	1,279.7

Source: Bank of Baroda Economics Research

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WEEKLY WRAP

19 August 2019

FOMC and RBI minutes to take centre stage

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Markets

- Bonds:** Except India, global yields closed lower as retail sales and industrial production in China were lower than estimates. Central Banks of Mexico and China announced stimulus/rate cuts. US 10Y yield fell by 19bps (1.55%) as fears of recession increased. Crude prices edged up by 0.2% (US\$ 59/bbl). India's 10Y yield rose by 5bps (6.55%) as government may announce a stimulus package. System liquidity surplus was at Rs 1.3tn as on 16 Aug 2019 compared with Rs 1.6tn in the previous week.
- Currency:** Except GBP and CNY, other global currencies closed lower. DXY rose by 0.7% in the week after US delayed imposing additional 10% tariff on imports from China. Positive US retail sales data also helped. INR fell by (-) 0.2%. FII inflows were US\$ 217mn in the week.
- Equity:** Barring Shanghai Comp, other global indices closed the week lower led by uncertainty over US- China trade relations and fears of recession. FTSE slumped by (-) 1.9% followed by Dow (-1.5%) and Nikkei (-1.3%). Sensex too ended the truncated week in red (-0.6%) on the back of muted earnings and awaiting a possible fiscal stimulus package by government to support growth.
- Upcoming key events:** In the current week, markets will await US FOMC minutes, Bank of Indonesia's policy decision and flash manufacturing & services PMIs of US, Euro Area and Japan. US new home sales, exports of Japan and Thailand will also give some signal about global growth momentum. On the domestic front, news around fiscal stimulus will be closely watched and minutes of Aug'19 MPC meeting will be released.



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BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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