

RESEARCH

BOB Economics Research | Weekly Wrap

Markets rally on US-China trade deal

SUMMARY

India Economics: Weekly Wrap

Growth concerns came to the fore as macro data in US (retail sales, industrial production) and China (exports, Q3GDP) disappointed. However, progress in US-China trade talks and hopes of an orderly Brexit lifted markets. Yields rose. So did equities. Indian equity markets too rallied even as IMF cut India's growth forecast for FY20 to 6.1% (6.9% earlier). MPC members too are concerned about growth and would like to continue to be accommodative. We believe RBI is likely to cut rates by another 25bps in Dec'19.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	555
GAIL	Buy	200
HPCL	Buy	400
ONGC	Buy	200
TCS	Add	2,230

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,230
Future Supply	Buy	730
Greenply Industries	Buy	200
Laurus Labs	Buy	480
PNC Infratech	Buy	250

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.80	5bps	8bps	(140bps)
India 10Y yield (%)*	6.70	(1bps)	8bps	(123bps)
USD/INR	71.15	0	0.1	3.3
Brent Crude (US\$/bbl)	58.96	(0.8)	(8.3)	(26.1)
Dow	26,828	0.2	(0.4)	6.0
Shanghai	2,940	0.1	(2.2)	10.7
Sensex	39,298	0.6	3.4	15.1
India FII (US\$ mn)	17 Oct	MTD	CYTD	FYTD
FII-D	39.7	60.8	4,034.1	3,489.5
FII-E	178.5	738.6	8,899.3	2,054.1

Source: Bank of Baroda Economics Research | *7.26% GS 2029

BOBCAPS Research

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WEEKLY WRAP

22 October 2019

Markets rally on US-China trade deal

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Markets

- **Bonds:** Except India, global yields closed higher led by positive momentum in US-China trade talks. US 10Y yield rose by 7bps (1.80%). UK 10Y yield rose by 11bps to 0.75% on receding possibility of a no-deal Brexit even as investors await the parliamentary proceedings. Crude prices fell by (-) 0.7% (US\$ 59/bbl) driven by rising US inventories. India's 10Y yield closed lower by 3bps (6.7%) as growth concerns still linger. System liquidity surplus was at Rs 1.6tn as on 18 Oct 2019 vs Rs 2.2tn in the previous week.
- **Currency:** With the exception of JPY and INR, other major global currencies closed higher in the week. DXY fell by (-) 1.1% in the week as US retail sales and industrial production fell more than expected. Progress in US-China trade deal and Brexit also impacted investor sentiments. While EUR rose by 1.1%, GBP appreciated by 2.8% to its highest since May'19. INR depreciated by (-) 0.2% in the week on growth concerns, even as FII inflows were robust at US\$ 1.5bn.
- **Equity:** Barring Shanghai Comp and FTSE, global indices ended the week in green driven by optimism around US-China trade deal. Brexit developments also impacted investor sentiments. Shanghai Comp fell by (-) 2.3% as GDP data was subdued. Sensex ended the week higher (2.8%) led by auto, real estate and metal stocks.
- **Upcoming key events:** Apart from Brexit negotiations, flash PMIs of major economies (US, Germany, France and Japan) will drive markets this week. US durable goods and existing home sales data is also due to be released. Domestic markets will be driven by corporate earnings.



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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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