

RESEARCH
BOB Economics Research | Weekly Wrap

Global monetary loosening on the cards

SUMMARY
India Economics: Weekly Wrap

Economic data of Japan, China, Eurozone, Singapore, Taiwan and Thailand shows flagging demand due to impact of COVID-19 or tax hike in Japan. While US housing data was above estimates, yields fell as markets assimilated contagion impact from virus hitting global demand. Gold rose as markets believe further loosening by global central banks. On the domestic front, RBI minutes hinted at further scope for monetary accommodation to close the output gap in the near term as and when inflation ebbs.

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TOP PICKS
LARGE-CAP IDEAS

Company	Rating	Target
Bajaj Finance	Buy	5,200
Cipla	Buy	570
Eicher Motors	Buy	25,000
Petronet LNG	Buy	400
Reliance Industries	Buy	1,860

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,870
Greenply Industries	Buy	205
Laurus Labs	Buy	510
Transport Corp	Buy	355
Ashok Leyland	Sell	64

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.47	(4bps)	(26bps)	(118bps)
India 10Y yield (%)	6.42	4bps	(18bps)	(100bps)
USD/INR	71.64	(0.1)	(0.5)	(0.7)
Brent Crude (US\$/bbl)	58.50	(1.4)	(5.7)	(12.8)
Dow	28,992	(0.8)	(0.6)	11.4
Shanghai	3,040	0.3	2.1	8.4
Sensex	41,170	(0.4)	(0.5)	14.8
India FII (US\$ mn)	18 Feb	MTD	CYTD	FYTD
FII-D	(454.8)	1,503.6	(65.3)	2,878.9
FII-E	181.1	2,121.7	3,494.3	10,883.5

Source: Bank of Baroda Economics Research

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WEEKLY WRAP

24 February 2020

Global monetary loosening on the cards

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Markets

- **Bonds:** Except India, global yields closed lower as concerns remained over spread of COVID-19, which led higher demand for sovereign bonds. Other safe haven assets such as gold (3.7%) also inched up. US 10Y yield fell by 11bps (1.47%). Oil prices rose by 2.1% (US\$ 59/bbl) over supply disruption in Libya and anticipation of output cut by OPEC+. Thus, India's 10Y yield rose by 5bps (6.42%). System liquidity surplus was at Rs 2.3tn as on 20 Feb 2020 vs Rs 2.9tn in the previous week.
- **Currency:** Barring EUR, other global currencies closed lower in the week as concerns over the spread of COVID-19 increased with Korea, Japan and Italy reporting spike in cases. DXY rose by 0.1% in the week. In the truncated week, INR fell by (-) 0.4% as oil prices rose by 2.1% and FII outflows were to the tune of US\$ 266mn.
- **Equity:** Barring Shanghai Comp, global indices ended lower as concerns remained elevated over spread of COVID-19. Dow fell the most (-1.4%) followed by DAX on account of concerns over economic impact of virus. Shanghai Comp rose by 4.2% as China restarted production after weeks of shutdown due to COVID-19. Sensex fell by (-) 0.2% dragged down by real estate and auto stocks.
- **Upcoming key events:** In the current week, markets will closely watch major US macro prints such as Q4CY19 GDP, durable goods orders, consumer confidence and new home sales data. Apart from this, Japan's retail sales and China's manufacturing print will also be released. On the domestic front, markets will closely track Q3FY20 GDP print.



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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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