

RESEARCH

BOB Economics Research | Weekly Wrap

Awaiting US Fed and BoJ policy decisions

SUMMARY

India Economics: Weekly Wrap

Growth worries continued with dip in China's industrial profits and decline in US imports. Three month Brexit extension gives some time to UK to get a deal passed through its Parliament. Thus UK yields and GBP fell. US yields and equity markets rose as progress of US-China trade deal is encouraging. Indian equity markets are also rising in sync as Indian government is looking at privatization to meet its fiscal deficit target. Yields were flat to lower. This week is data heavy with PMIs and rate decision by US Fed and BoJ.

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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 (%)	1.84	5bps	16bps	(124bps)
India 10Y yield (%)*	6.68	(1bps)	(6bps)	(113bps)
USD/INR	70.89	0.2	(0.5)	3.5
Brent Crude (US\$/bbl)	61.57	(0.7)	(0.5)	(20.4)
Dow	27,091	0.5	1.0	10.8
Shanghai	2,980	0.9	1.6	17.2
Sensex	39,058	0.1	0.6	14.6
India FII (US\$ mn)	24 Oct	MTD	CYTD	FYTD
FII-D	(54.0)	9.4	3,982.8	3,438.2
FII-E	(27.3)	553.9	8,714.6	1,869.4

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

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WEEKLY WRAP

29 October 2019

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Growth worries continued with dip in China's industrial profits and decline in US imports. Three month Brexit extension gives some time to UK to get a deal passed through its Parliament. Thus UK yields and GBP fell. US yields and equity markets rose as progress of US-China trade deal is encouraging. Indian equity markets are also rising in sync as Indian government is looking at privatization to meet its fiscal deficit target. Yields were flat to lower. This week is data heavy with PMIs and rate decision by US Fed and BoJ.

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Markets

- **Bonds:** US 10Y yield rose by 4bps (1.84%) on the back of improved sentiment over US-China trade deal. Yields in UK fell on account of 3-month extension to Brexit deal. Crude prices rose by 4.4% (US\$ 62/bbl) on account of falling US inventories. India's 10Y yield closed lower by 2bps (6.68%). System liquidity surplus was at Rs 1.5tn as on 25 Oct 2019 vs Rs 1.6tn in the previous week.
- **Currency:** With the exception of INR and CNY, other major global currencies depreciated in the week. DXY rose by 0.4% driven by progress on US-China trade deal. GBP depreciated by 0.7% as mechanics of Brexit remain uncertain after 3-month extension by EU. INR appreciated by 0.4% despite FPI outflows of US\$ 296mn in the week.
- **Equity:** Barring Sensex, global indices ended the week higher. FTSE (2.3%) and Dax (1.5%) surged the most. Optimism around US-China trade deal, withdrawal of US sanctions on Turkey and extension for Brexit, drove gains in market. However, Sensex fell by (-) 0.6%, dragged by financial, auto and pharma stocks. Notably, US equity markets scaled an all-time high on Monday.
- **Upcoming key events:** In the current week, markets keenly await policy decisions of US Fed and BoJ. Apart from that, some major economies (US, Euro Area, France, Spain, Taiwan, Italy and HK) will release advance estimates of their Q3CY19 GDP. Manufacturing PMIs are also due. On the domestic front, eight core index, fiscal deficit and manufacturing PMI scheduled for release this week.



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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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