

RESEARCH
BOB Economics Research | Weekly Wrap

Markets rejoice fewer virus cases

SUMMARY
India Economics: Weekly Wrap

World added fewer cases of COVID-19 in the last few days which resulted in a rebound in equity markets. Oil prices rose by 45% to US\$ 33/bbl on the back of anticipated cut in production. Japan announced a US\$ 1tn stimulus. We see more volatility ahead as economic costs of global lockdown increase. On the domestic front, number of coronavirus cases have seen a small dip.

Government is likely to consider a second relief package. Markets will await information on road ahead as national lockdown ends on 14 Apr 2020.

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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	330
Reliance Industries	Buy	1,500

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 (%)	0.67	8bps	(9bps)	(185bps)
India 10Y yield (%)*	6.31	17bps	12bps	(110bps)
USD/INR*	76.17	(0.8)	(3.2)	(9.3)
Brent Crude (US\$/bbl)	33.05	(3.1)	(27.0)	(53.5)
Dow	22,680	7.7	(12.3)	(13.9)
Shanghai	2,764	(0.6)	(8.9)	(14.8)
Sensex*	27,591	(2.4)	(26.6)	(28.7)
India FII (US\$ mn)	31 Mar	MTD	CYTD	FYTD
FII-D	(374.6)	(8,192.4)	(9,759.5)	(6,815.4)
FII-E	(504.3)	(8,389.9)	(6,603.0)	786.3

Source: Bank of Baroda Economics Research |

*India and China's markets were closed on 06.04.2020

BOBCAPS Research

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WEEKLY WRAP

07 April 2020

Markets rejoice fewer virus cases

World added fewer cases of COVID-19 in the last few days which resulted in a rebound in equity markets. Oil prices rose by 45% to US\$ 33/bbl on the back of anticipated cut in production. Japan announced a US\$ 1tn stimulus. We see more volatility ahead as economic costs of global lockdown increase. On the domestic front, number of coronavirus cases have seen a small dip. Government is likely to consider a second relief package. Markets will await information on road ahead as national lockdown ends on 14 Apr 2020.

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Markets

- **Bonds:** Global yields closed mixed. Fed undertook measures to improve liquidity and lending norms for small borrowers. Japan unveiled US\$ 1tn (20% of GDP) fiscal stimulus. US 10Y yield fell by 6bps (0.67%) as US lost 701k jobs. Oil prices rose by 45% (US\$ 33/bbl) as output cut from Russia and Saudi Arabia is anticipated. India's 10Y yield rose by 10bps (6.31%) amidst fiscal worries. System liquidity surplus rose to Rs 4tn as on 3 Apr 2020 vs Rs 3.2tn in the previous week.
- **Currency:** Except CNY, other global currencies closed lower. DXY rose by 1.5% as world economy has entered into a recession. EUR depreciated the most by (-) 2.3%. GBP depreciated by (-) 1.5%. INR fell by (-) 1% as FII outflows continued (US\$ 1.6bn in the week) due to anticipated impact of COVID-19 on the economy.
- **Equity:** Barring Nikkei and Sensex, global indices ended the week higher as all countries have been taking steps to mitigate the impact of COVID-19. Dax (2.6%) gained the most followed by Dow (1.6%). However, Sensex (-3%) ended the week in red led by banking and tech stocks as coronavirus cases continue to increase in India.
- **Upcoming key events:** In the current week, markets will continue to monitor daily increase in COVID-19 cases which have increased globally by 0.56mn vs 0.41mn last week. Industrial production data of major economies (Germany, UK and India) and US jobless claims data are also scheduled for release. On the domestic front, developments on lockdown, fiscal measures and MPC minutes are awaited.



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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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