

**RESEARCH**
**BOB Economics Research | Weekly Wrap**

India decides to borrow more

**SUMMARY**
**India Economics: Weekly Wrap**

Fresh restrictions in Europe to curb COVID-19, uncertainty around US fiscal stimulus, drop in Germany's ZEW sentiment index and higher US jobless claims led to risk-off driving global yields and equities lower and US\$ higher. China is an outlier with positive GDP, retail sales and FAI growth. Indian 10Y yield rose towards end of the week after Government increased its borrowing by Rs 1.1tn in H2FY21. RBI announced Rs 100bn in SDL OMOs. Yields have been anchored for now. MPC minutes will give a peek into future.

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**TOP PICKS**
**LARGE-CAP IDEAS**

Company	Rating	Target
<a href="#">Bajaj Finance</a>	Buy	4,000
<a href="#">Cipla</a>	Buy	850
<a href="#">GAIL</a>	Buy	155
<a href="#">Petronet LNG</a>	Buy	310
<a href="#">Tech Mahindra</a>	Buy	910

**MID-CAP IDEAS**

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	3,600
<a href="#">Chola Investment</a>	Buy	280
<a href="#">Laurus Labs</a>	Buy	1,200
<a href="#">Transport Corp</a>	Buy	270
<a href="#">Mahanagar Gas</a>	Sell	750

Source: BOBCAPS Research

**DAILY MACRO INDICATORS**

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.75	1bps	7bps	(101bps)
India 10Y yield (%)	5.94	4bps	(9bps)	(58bps)
USD/INR	73.35	0	0.4	(3.1)
Brent Crude (US\$/bbl)	42.93	(0.5)	5.9	(27.8)
Dow	28,606	0.4	2.2	6.9
Shanghai	3,336	0.1	1.2	13.6
Sensex	39,983	0.6	2.4	1.7
India FII (US\$ mn)	15 Oct	MTD	CYTD	FYTD
FII-D	36.0	77.4	(14,602.4)	(4,842.9)
FII-E	(40.0)	1,193.5	5,233.6	11,836.5

Source: Bank of Baroda Economics Research

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## WEEKLY WRAP

19 October 2020

**India decides to borrow more**

**Fresh restrictions in Europe to curb COVID-19, uncertainty around US fiscal stimulus, drop in Germany's ZEW sentiment index and higher US jobless claims led to risk-off driving global yields and equities lower and US\$ higher. China is an outlier with positive GDP, retail sales and FAI growth. Indian 10Y yield rose towards end of the week after Government increased its borrowing by Rs 1.1tn in H2FY21. RBI announced Rs 100bn in SDL OMOs. Yields have been anchored for now. MPC minutes will give a peek into future.**

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**Markets**

- **Bonds:** Barring China and India (flat), global yields closed lower. UK and German 10Y yield fell the most (10bps each), followed by US (down 3bps). Uncertainty around US fiscal stimulus, increase in jobless claims and fresh lockdown restrictions in Europe led to dip in yields. Oil prices rose by 0.2% (US\$ 42.9/bbl) owing to supply concerns. India's 10Y yield closed flat at 5.94%. Centre's decision to borrow Rs 1.1tn on behalf of states impacted yields later in the week. System liquidity surplus was at Rs 4.2tn as on 16 Oct 2020 compared with Rs 3.9tn in the previous week.
- **Currency:** DXY (up by 0.7%) and JPY (up by 0.2%) rose on safe-haven demand amidst continued uncertainty over US fiscal stimulus and rising COVID-19 cases globally. CNY was flat. EUR and GBP depreciated by 0.9% as Brexit negotiations continued and new restrictions were put in place to contain spread of COVID-19 in Europe. INR depreciated by 0.3% even as FII inflows increased to US\$ 754mn in the week.
- **Equity:** Barring Dow and Shanghai Comp, global indices ended the week lower amidst uncertainty over US stimulus plan and surge in COVID-19 cases. Germany's ZEW index was far below estimate. Sensex (1.3%) broke its winning streak and declined led by subdued global cues. It was dragged down by auto and oil & gas stocks.
- **Upcoming key events:** Markets will focus on economic impact of European restrictions and flash PMIs of advanced economies. US housing starts, home sales and jobless claims are also due for release. On the domestic front, MPC minutes and RBI's first ever OMO in SDLs will be closely watched.



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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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