

RESEARCH

BOB Economics Research | Weekly Wrap

RBI to maintain status quo

SUMMARY

India Economics: Weekly Wrap

Global equities fell and DXY regained strength with European governments imposing fresh restrictions to restrict the spread of COVID-19. US 10Y yield fell by 4bps and oil prices by 2.9%. On the domestic front, 10Y yield rose by 3bps with H2 borrowing calendar set to be announced this week. RBI seems to have moved from open market operations to secondary market purchases to restrict yields from rising. While fiscal data will be released on Wednesday, monetary policy will be announced a day later. We expect status quo on rates.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Bajaj Finance	Buy	4,000
Cipla	Buy	850
GAIL	Buy	155
Petronet LNG	Buy	310
Tech Mahindra	Buy	910

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,600
Chola Investment	Buy	280
Laurus Labs	Buy	1,200
Transport Corp	Buy	270
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.65	(1bps)	(10bps)	(103bps)
India 10Y yield (%)	6.04	5bps	(11bps)	(70bps)
USD/INR	73.61	0.4	0.3	(4.3)
Brent Crude (US\$/bbl)	41.92	0	(7.0)	(32.3)
Dow	27,174	1.3	(4.6)	1.3
Shanghai	3,219	(0.1)	(3.9)	9.8
Sensex	37,389	2.3	(4.4)	(3.7)
India FII (US\$ mn)	24 Sep	MTD	CYTD	FYTD
FII-D	(3.4)	472.3	(14,617.7)	(4,858.2)
FII-E	(225.3)	(220.8)	4,586.5	11,189.5

Source: Bank of Baroda Economics Research

BOBCAPS Research

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WEEKLY WRAP

28 September 2020

RBI to maintain status quo

Global equities fell and DXY regained strength with European governments imposing fresh restrictions to restrict the spread of COVID-19. US 10Y yield fell by 4bps and oil prices by 2.9%. On the domestic front, 10Y yield rose by 3bps with H2 borrowing calendar set to be announced this week. RBI seems to have moved from open market operations to secondary market purchases to restrict yields from rising. While fiscal data will be released on Wednesday, monetary policy will be announced a day later. We expect status quo on rates.

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Markets

- **Bonds:** US 10Y yield fell by 4bps (0.65%) as jobless claims were higher than estimate. Oil prices also fell by 2.9% (US\$ 42/bbl) with rising cases in Europe leading to renewed restrictions unveiled by governments. UK yields went up. India's 10Y yield rose by 3bps (6.04%) amidst fiscal concerns. System liquidity surplus was at Rs 2.8tn as on 25 Sep 2020 compared with Rs 2.5tn in the previous week.
- **Currency:** Global currencies closed lower this week as dollar rebounded. DXY rose by 1.8% this week due to safe-haven demand amidst concerns over economic recovery. EUR depreciated the most by 1.8% as COVID-19 cases continued to increase. GBP too depreciated by 1.3% as UK imposed new restrictions to curb the spread of the virus. INR depreciated by 0.2% on the back of FII outflows of US\$ 912mn.
- **Equity:** Global indices ended lower on the back of fresh restrictions imposed by countries to curb spread of COVID-19 cases. While manufacturing sector continues to show recovery, services sector output is likely to be impacted. Amongst indices, Dax (4.9%) slumped the most. This was followed by Sensex (3.8%) led by fall in real estate and oil & gas stocks.
- **Upcoming key events:** In current week, markets will await manufacturing PMI data of major economies. Apart from this, US jobs report will also shed light on employment scenario. On the domestic front, RBI's monetary policy will be announced on October 1, 2020. We expect status quo. Borrowing calendar for H2, fiscal data for Aug'20 and BoP data for Q1FY21 will be released on 30 Sep 2020.



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Recommendations and Absolute returns (%) over 12 months

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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