

FIRST LIGHT

RESEARCH

BOB Economics Research | Weekly Wrap

Manufacturing PMIs signal global recovery

Automobiles

Mar'21 Sales: Healthy dispatches across segments

SUMMARY

India Economics: Weekly Wrap

Global yields rose with manufacturing PMIs showing signs of recovery. US payroll data was better than estimates and President unveiled US\$ 2.2tn infra stimulus. Thus US\$ continues to strengthen. On the domestic front, current account went again into deficit mode (0.2% of GDP) from a surplus of 2.4% in Q2, due to pick-up in imports. Government's H1 borrowing calendar is tilted towards long-end which may put upward pressure on long-end yields. No change in policy rates this week, accommodative stance to continue.

[Click here for the full report.](#)

Automobiles

PV sales continued their upward trajectory in Mar'21 with healthy growth (~2.3x YoY), off a soft base due to the lockdown announced in Mar'20. Domestic 2W sales were healthy and above expectations barring RE, whereas 2W exports continue to gain momentum. MHCV volumes continued their steady climb and were up 42% MoM for AL while TTMT's MHCV sales rose 29% MoM. Tractor sales were healthy for both MM and ESC. We remain negative on the sector given stretched valuations and expected margin pressure led by higher RM costs.

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	1,000
GAIL	Buy	160
Petronet LNG	Buy	330
TCS	Buy	3,710
Tech Mahindra	Buy	1,130

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,750
Greenply Industries	Buy	195
Laurus Labs	Buy	480
Transport Corp	Buy	330
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.72	5bps	33bps	113bps
India 10Y yield (%)	6.17	2bps	(7bps)	(14bps)
USD/INR	73.11	0.4	0.3	4.0
Brent Crude (US\$/bbl)	64.86	2.1	3.4	90.1
Dow	33,153	0.5	5.6	57.5
Shanghai	3,484	0.5	(0.7)	26.1
Sensex	50,030	1.1	(0.5)	81.3
India FII (US\$ mn)	30 Mar	MTD	CYTD	FYTD
FII-D	(11.5)	(767.5)	(2,251.7)	(6,345.3)
FII-E	(64.4)	2,563.0	7,556.8	37,532.5

Source: Bank of Baroda Economics Research

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WEEKLY WRAP

05 April 2021

Manufacturing PMIs signal global recovery

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Markets

- **Bonds:** Except China, global 10Y yields closed higher supported by better than expected macro data globally. US 10Y yield rose the most by 5bps (1.72%) supported by US President's infra stimulus of \$ 2.2tn. Oil prices fell by 1.4% (US\$ 64/bbl) amidst reports that Saudi Arabia may start easing supply restrictions. India's 10Y yield rose by 1bps (6.17%) eyeing H1 borrowing calendar. System liquidity surplus was at Rs 4.6tn as on 1 Apr 2021, versus Rs 4.7tn in the previous week.
- **Currency:** Except GBP, global currencies closed lower. DXY rose by 0.3% supported by better payroll data in the US. JPY fell by 1%. EUR fell by 0.3% due to spread of third wave of infection. INR depreciated by 0.8% due to FII outflow of US\$ 126mn.
- **Equity:** Global equity indices ended higher driven by rising manufacturing PMIs across major economies. Eurozone at 62.5 (previous: 62.4) and US ISM at 64.7 (60.8). Dax rose the most (3.3%) followed by Nikkei (2.3%). Sensex rose by 3.3% supported by metal and consumer durable stocks.
- **Covid-19 tracker:** Global cases rose by 4.1mn in the week versus 3.8mn in the last week led by France, Italy and Germany. India added 0.5mn cases in the week versus 0.4mn last week. Israel has got 61% of the population vaccinated followed by UK (46%). India's 4.3% population is vaccinated.
- **Upcoming key events:** Globally, services PMIs of US, Eurozone and Germany will be released. Additionally, FOMC minutes along with China's CPI and PPI data will also be released. In India, services PMI and RBI policy will be in focus. Covid-19 infections will be tracked very closely.



AUTOMOBILES

05 April 2021

Mar'21 Sales: Healthy dispatches across segments

PV sales continued their upward trajectory in Mar'21 with healthy growth (~2.3x YoY), off a soft base due to the lockdown announced in Mar'20. Domestic 2W sales were healthy and above expectations barring RE, whereas 2W exports continue to gain momentum. MHCV volumes continued their steady climb and were up 42% MoM for AL while TTMT's MHCV sales rose 29% MoM. Tractor sales were healthy for both MM and ESC. We remain negative on the sector given stretched valuations and expected margin pressure led by higher RM costs.

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PV sales along expected lines: Maruti's (MSIL) dispatches nearly doubled to 167k units in Mar'21. Its FY21 sales were down 7% YoY with LCVs the only bright spot (+37% YoY). PV sales surged 4.9x YoY for M&M (MM) on a softer base, Hyundai Motors saw a 2x rise and Tata Motors (TTMT) posted strong 5.2x growth. The coming months could see moderate dispatches from OEMs due to supply issues at vendors and lower finished goods inventory

Healthy 2W sales; RE below estimates: Hero's (HMCL) wholesale volumes were ahead of estimates at 577k in Mar'21, growing 72% YoY. Total sales for Bajaj Auto (BJAUT) rose 52% YoY with exports growing 36% while domestic sales posted a 70% growth. TVS Motor's (TVSL) export sales grew at a robust 138% YoY and total sales increased 123% to 323k units. 3W sales. Royal Enfield (RE) reported below-estimated 2W sales of 66k units (+84% YoY).

MHCV volumes improving steadily: Ashok Leyland's (AL) CV sales increased 7.9x YoY and 26% MoM to 17k units in March. For FY21, AL's sale volumes have plunged 20% YoY owing to a steep 34% drop in MHCVs while LCVs were up 5% YoY. TTMT's MHCV sales declined 35% in FY21 whereas LCVs fell 14%.

Strong momentum in tractor dispatches: MM sold 31k tractors (+2.3x YoY) in Mar'21, marginally lower than our expectations, while competitor Escorts (ESC) sold 12k units (+2.3x YoY). FY21 tractor sales for MM/ESC increased 17%/24% YoY. We have factored in healthy growth as the macro environment remains conducive but believe both stocks are pricing in most positives and carry unfavourable risk-reward.



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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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