

RESEARCH
BOB Economics Research | Weekly Wrap

US yields at all-time low

SUMMARY
India Economics: Weekly Wrap

Global yields fell as markets assess economic impact of COVID-19. US 10Y fell by 39bps. China's services PMI was at 26.5 and exports were down by (-) 17.2%. Global equity markets sold-off as negative news flow of spread of virus emerged. Seven Central Banks reduced rates led by 50bps reduction by Fed. Indian 10Y fell to 6.18% (last seen in 2016) and is trading far lower at 6.06% today due to (-) 26% decline in oil prices. Indian equity markets fell, in-line with Asian markets. INR fell as FPI outflows continue in the week.

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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	400
Reliance Industries	Buy	1,860

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 (%)	0.76	(15bps)	(84bps)	(187bps)
India 10Y yield (%)	6.18	(5bps)	(32bps)	(118bps)
USD/INR	73.79	(0.6)	(3.5)	(5.2)
Brent Crude (US\$/bbl)	45.27	(9.4)	(16.1)	(31.1)
Dow	25,865	(1.0)	(10.2)	1.6
Shanghai	3,035	(1.2)	9.0	2.2
Sensex	37,577	(2.3)	(7.9)	2.5
India FII (US\$ mn)	5 Mar	MTD	CYTD	FYTD
FII-D	41.9	(252.5)	(1,819.6)	1,124.6
FII-E	(305.4)	(773.9)	1,013.1	8,402.3

Source: Bank of Baroda Economics Research

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WEEKLY WRAP

09 March 2020

US yields at all-time low

Global yields fell as markets assess economic impact of COVID-19. US 10Y fell by 39bps. China's services PMI was at 26.5 and exports were down by (-) 17.2%. Global equity markets sold-off as negative news flow of spread of virus emerged. Seven Central Banks reduced rates led by 50bps reduction by Fed. Indian 10Y fell to 6.18% (last seen in 2016) and is trading far lower at 6.06% today due to (-) 26% decline in oil prices. Indian equity markets fell, in-line with Asian markets. INR fell as FPI outflows continue in the week.

Sameer Narang | Jahnavi

chief.economist@bankofbaroda.com**Markets**

- **Bonds:** Except Japan, global yields closed lower as markets assess spill over from spread of COVID-19. Global central banks continue to cut rates with 7 central banks reducing rates led by US Fed. US 10Y yield fell steeply by 39bps to a record low (0.76%). Markets expect Fed to cut rates by another 50bps. Oil prices fell sharply by (-) 10.4% (US\$ 45/bbl) as OPEC+ did not cut output. India's 10Y yield also fell by 19bps (6.18%-lowest since Apr'09) and is trading far lower at 6.06% today due to sharp drop in oil prices (-26% to US\$ 33/bbl) in today's session. System liquidity surplus was at Rs 3tn as on 06 Mar 2020 same as previous week.
- **Currency:** Barring INR, other global currencies closed higher against the dollar. DXY fell sharply by (-) 2.2% in the week to a 12-month low after Fed delivered a surprise 50bps reduction in policy rate. JPY continued to strengthen and was higher by 2.3% in the week. However, INR fell by (-) 2.2% as FII outflows continued (US\$ 1bn).
- **Equity:** Apart from Dow and Shanghai Comp, other global indices closed lower in the week as fears around the economic impact of COVID-19 rose. Dow gained by 1.8% supported by rate cut by Fed (50 bps) and US\$ 8.3bn fiscal stimulus approved by US House of Representatives. Sensex fell by (-) 1.9% after Yes Bank board was superseded by RBI. Banking, realty and oil & gas stocks fell the most.
- **Upcoming key events:** In the current week, markets will await industrial production data of Germany and UK. ECB will also announce its monetary policy decision this week. On the domestic front, CPI, IIP and trade data are awaited.



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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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