

RESEARCH

BOB Economics Research | Weekly Wrap

Global easing cycle gains steam

SUMMARY

India Economics: Weekly Wrap

With growth slowing down, EM central banks such as South Korea and Indonesia reduced policy rates. ECB and US Fed may do the same soon. Thus, global yields fell with Indian 10Y yield declining the most (12bps). Oil prices too fell. US housing data and Germany's economic sentiment index were also weaker than expected. However, China's retail sales did hold up. INR fell against US\$ due to FII outflows. Indian yields are likely to fall further as RBI is likely to continue to reduce rates to support growth.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	630
GAIL*	Buy	245
ONGC	Buy	230
TCS	Add	2,360
HPCL	Sell	210

*GAIL target price is adjusted for the 1:1 bonus issue

MID-CAP IDEAS

Company	Rating	Target
Balkrishna Ind	Buy	1,290
Future Supply	Buy	780
Greenply Industries	Buy	245
Laurus Labs	Buy	495
PNC Infratech	Buy	235

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	2.06	3bps	0bps	(84bps)
India 10Y yield (%)	6.36	(2bps)	(44bps)	(142bps)
USD/INR	68.81	0.2	1.3	0.1
Brent Crude (US\$/bbl)	62.47	0.9	0.5	(14.5)
Dow	27,154	(0.3)	2.6	8.4
Shanghai	2,924	0.8	1.2	3.4
Sensex	38,337	(1.4)	(1.8)	5.0
India FII (US\$ mn)	18 Jul	MTD	CYTD	FYTD
FII-D	(147.3)	1,092.7	2,520.9	1,976.3
FII-E	(203.5)	(1,038.1)	10,300.7	3,455.5

Source: Bank of Baroda Economics Research

BOBCAPS Research

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WEEKLY WRAP

22 July 2019

Global easing cycle gains steam

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Markets

- **Bonds:** Barring China, global yields closed lower. US 10Y yield fell by 7bps (2.06%) as New York Fed president hinted at pre-emptive rate cut to support growth. Korea and Indonesia delivered a rate cut. Crude prices declined by (-) 6.4% (US\$ 62/bbl). India's 10Y yield declined the most by 12bps (6.36%) as investors are anticipating another rate cut by RBI in Aug'19. System liquidity is in surplus of Rs 1.3tn as on 19 Jul 2019 vs Rs 1.5tn last week.
- **Currency:** Global currencies closed mixed this week. DXY rose by 0.4% on fading fears of an aggressive rate cut by Fed in its July meet. EUR fell by (-) 0.4% ahead of the ECB policy meet next week. GBP also fell by (-) 0.6% on growing fears of a no-deal Brexit. INR depreciated by (-) 0.2% in the week on the back of FII outflows of US\$ 264mn.
- **Equity:** Except FTSE which closed flat, other global indices closed the week lower led by uncertainty over US- China trade relations and weaker corporate earnings. Both Nikkei and Sensex fell by (-) 1% in the week followed by Dow (-0.7%). Sensex ended in red led by continuous selling by foreign investors. Auto and capital good stocks fell the most.
- **Upcoming key events:** In the current week, markets will closely watch flash PMI data of major economies such as Eurozone and US for global growth developments. US GDP, new home sales data and ECB policy decision are also scheduled in the current week. On the domestic front, oil price movement and global cues will impact markets.



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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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