

RESEARCH

BOB Economics Research | Weekly Wrap

RBI to cut rates to prop growth

SUMMARY

India Economics: Weekly Wrap

Global macro data showed a mix picture. While US (GDP, durable goods orders) and Europe (consumer confidence) data surprised positively, China's industrial profits surprised negatively. In addition, US President signed a bill for annual review of US-Hong Kong trade relationship which may delay US-China trade deal. Global yields and currencies closed mixed. On the domestic front, Q2FY20 GDP print touched 6-year low led by investment slowdown. Core sector growth slipped further in Oct'19. We expect 25bps rate cut.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	570
ONGC	Buy	210
Petronet LNG	Buy	400
Reliance Industries	Buy	1,670
TCS	Add	2,230

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,290
Future Supply	Buy	680
Greenply Industries	Buy	210
Laurus Labs	Buy	480
PNC Infratech	Buy	245

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.78	1bps	(6bps)	(121bps)
India 10Y yield (%)	6.47	1bps	(5bps)	(114bps)
USD/INR	71.74	(0.2)	(1.3)	(3.1)
Brent Crude (US\$/bbl)	62.43	(2.3)	1.4	6.3
Dow	28,051	(0.4)	3.6	9.8
Shanghai	2,872	(0.6)	(2.8)	11.0
Sensex	40,794	(0.8)	2.4	12.7
India FII (US\$ mn)	28 Nov	MTD	CYTD	FYTD
FII-D	(260.8)	(468.7)	4,218.1	3,673.5
FII-E	227.6	3,254.3	13,477.1	6,631.9

Source: Bank of Baroda Economics Research

BOBCAPS Research

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WEEKLY WRAP

02 December 2019

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Markets

- **Bonds:** Global yields closed mixed as US consumer confidence was lower than estimates but new home sales surprised positively. Japan's industrial production and China's industrial profits fell. US President approved a bill for annual review of US-Hong Kong trade relationship, implying a potential delay in US-China trade deal. US 10Y yield rose by 1bps (1.78%). Crude prices fell by (-) 1.5% (US\$ 62/bbl). India's 10Y yield fell by 3bps (6.47%) amidst hopes of RBI's rate cut decision. System liquidity surplus was higher at Rs 2.4tn as on 29 Nov 2019 vs Rs 2.1tn in the previous week.
- **Currency:** Global currencies ended mixed in the week. DXY ended flat even as US macro data surprised positively (GDP, new home sales, durable goods orders). GBP rose by 0.7% as exit polls predict a majority for the ruling Conservative party ensuring an orderly Brexit. JPY depreciated by (-) 0.8%. INR ended flat despite lower oil prices (-1.5%) and FII inflows (US\$ 577mn) as growth concerns linger.
- **Equity:** Barring Shanghai Comp, global indices ended the week higher driven by upward revision of US GDP, stronger durables goods data, better than expected Euro Area economic sentiment and Germany's IFO business climate. Sensex surged the most (1.1%) reaching record high this week, pushed up by metal, banking and real estate stocks.
- **Upcoming key events:** Markets will closely watch manufacturing and services PMI print of US, Eurozone, Japan, China and India. Apart from this, US employment data will also shed some light on labour market scenario and future course of Fed rates. On the domestic front, highly anticipated rate cut by RBI will set the tone for markets.



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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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