

FIRST LIGHT

RESEARCH

Top picks

- **Large-cap ideas** – Reliance Industries replaced by **GAIL**
 (see [Market bottom elusive – stick to select cash-rich stocks, 23Mar20](#))
- **Mid-cap ideas** – Ashok Leyland replaced by **Muthoot Finance**
 (see [Return of pricing power, 3Apr20](#))

BOB Economics Research | Weekly Wrap

Central Banks extend support as data disappoints

SUMMARY

India Economics: Weekly Wrap

Oil prices rose and DXY fell as global risk sentiment improved. Equity markets (ex-Dow) also inched up led by Sensex and Dax. BoJ is looking at unlimited asset purchases and ECB has initiated a € 750bn non-targeted refinancing operation as economic data disappoints. US Fed is likely to keep rates near zero. In India, lockdown has been extended till 17 May 2020 with relaxations in green and orange zones. This is expected to revive growth. More importantly, details of government's fiscal package are awaited.

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

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Bajaj Finance	Buy	3,000
Cipla	Buy	570
Eicher Motors	Buy	18,100
GAIL	Buy	140
Petronet LNG	Buy	330

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,870
Greenply Industries	Buy	145
Laurus Labs	Buy	630
Muthoot Finance	Buy	950
Transport Corp	Buy	255

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.61	(3bps)	(6bps)	(191bps)
India 10Y yield (%)	6.11	(1bps)	(3bps)	(129bps)
USD/INR	75.10	0.8	0.6	(8.5)
Brent Crude (US\$/bbl)	26.44	4.6	16.3	(62.7)
Dow	23,724	(2.6)	8.2	(10.5)
Shanghai	2,860	1.3	4.0	(7.1)
Sensex	33,718	3.0	14.4	(13.5)
India FII (US\$ mn)	29 Apr	MTD	CYTD	FYTD
FII-D	(82.4)	(1,280.5)	(11,040.0)	(1,280.5)
FII-E	103.7	(399.7)	(7,002.6)	(399.7)

Source: Bank of Baroda Economics Research

BOBCAPS Research

research@bobcaps.in



WEEKLY WRAP

04 May 2020

Central Banks extend support as data disappoints

Oil prices rose and DXY fell as global risk sentiment improved. Equity markets (ex-Dow) also inched up led by Sensex and Dax. BoJ is looking at unlimited asset purchases and ECB has initiated a € 750bn non-targeted refinancing operation as economic data disappoints. US Fed is likely to keep rates near zero. In India, lockdown has been extended till 17 May 2020 with relaxations in green and orange zones. This is expected to revive growth. More importantly, details of government's fiscal package are awaited.

Sameer Narang | Dipanwita Mazumdar
 chief.economist@bankofbaroda.com

Markets

- **Bonds:** Global short-end yields closed lower as macro data showed both US and EU GDP growth was below estimates. US Fed pledged to keep near zero rates till growth and employment normalises. Other central banks (ECB, BoJ) also increased durable liquidity. Oil prices rose by 23% (US\$ 26/bbl) amidst hopes of revival in demand. India's 10Y yield fell by 6bps (6.17%). System liquidity surplus rose to Rs 4.9tn as on 30 Apr 2020 compared with Rs 4.8tn in the previous week.
- **Currency:** Global currencies closed higher against US\$ due to improved risk sentiment as more countries look at restarting their economies. DXY fell by 1.3% in the week. EUR and GBP gained by 1.5% and 1.1% respectively. INR rose by 1.8% in the week to a 1-month high supported by FII inflows in the equity segment. FII outflows from debt segment continued.
- **Equity:** Barring Dow, other global indices closed higher led by hopes of a possible vaccine for COVID-19 and phased opening up of global economy. Dow was under pressure on Friday. Sensex (7.6%) surged the most followed by Dax (5.1%) and Nikkei (1.9%) Metal and banking stocks advanced the most in the domestic market.
- **Upcoming key events:** COVID-19 cases rose by 557k (577k last week). Markets await policy rate decisions of RBA and BoE along with US unemployment rate and China's exports data to gauge impact of COVID-19 on global economy. On the domestic front, manufacturing and services PMI and details of government's fiscal stimulus package 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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