

RESEARCH
BOB Economics Research | Weekly Wrap

Oil prices to guide Indian markets

SUMMARY
India Economics: Weekly Wrap

US yields edged down as US consumer confidence and ISM manufacturing data was below estimates. China responded with a 50bps RRR cut and signalled continuation of easing monetary policy stance in 2020. However, oil prices rose towards the end of the week on US-Iran tensions. Higher oil prices may limit gains from RBI's announcement to purchase another Rs 100bn of long-end bonds. On the macro front, India's manufacturing PMI edged up to 7-month high and fiscal data showed that revenue collections were muted.

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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	1,860
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 (%)	1.79	(9bps)	7bps	(88bps)
India 10Y yield (%)	6.52	1bps	5bps	(93bps)
USD/INR	71.80	(0.6)	(0.2)	(3.0)
Brent Crude (US\$/bbl)	68.60	3.5	12.8	20.2
Dow	28,635	(0.8)	4.1	22.2
Shanghai	3,084	0	6.9	22.6
Sensex	41,465	(0.4)	1.9	16.2
India FII (US\$ mn)	2 Jan	MTD	CYTD	FYTD
FII-D	(189.1)	(189.3)	(189.3)	2,754.9
FII-E	152.5	202.9	202.9	7,592.1

Source: Bank of Baroda Economics Research

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WEEKLY WRAP

06 January 2020

Oil prices to guide Indian markets

US yields edged down as US consumer confidence and ISM manufacturing data was below estimates. China responded with a 50bps RRR cut and signalled continuation of easing monetary policy stance in 2020. However, oil prices rose towards the end of the week on US-Iran tensions. Higher oil prices may limit gains from RBI's announcement to purchase another Rs 100bn of long-end bonds. On the macro front, India's manufacturing PMI edged up to 7-month high and fiscal data showed that revenue collections were muted.

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Markets

- **Bonds:** Except India and China, global yields closed lower driven by falling consumer confidence in the US and muted manufacturing activity globally. US 10Y yield fell by 9bps (1.79%). Oil prices rose towards the end of the week to US\$ 69/bbl amidst tensions between US and Iran. India's 10Y yield rose by 1bps (6.52%) on fiscal concerns. RBI announced third round of Rs 100bn buy (10Y)/sell (short-end) of government bonds. System liquidity surplus rose to Rs 4.1tn as on 3 Jan 2020 vs Rs 2.4tn in the previous week.
- **Currency:** Global currencies closed mixed this week. Heightened geopolitical tensions in the Middle East lifted demand for safe-haven JPY (up 1.2% in the week). However, DXY weakened by (-) 0.1% as US macro data was weaker than expected (consumer confidence, ISM manufacturing). INR depreciated by (-) 0.6% in the week on the back of FII outflows (US\$ 457mn) and higher oil prices (US\$ 69/bbl).
- **Equity:** Global indices ended mixed this week. While European indices ended in red driven by tensions in Middle East, Shanghai Comp on the other hand, surged by 2.6% as PBOC reduced the RRR by 50bps. However, Sensex ended the week in red (-0.3%) on account of subdued global cues.
- **Upcoming key events:** In the current week, markets await services PMIs of Eurozone, China and US and CPI/PPI prints of Euro Area and China. Factory orders of US and Germany along with consumer confidence of Euro Area will also be released. On the domestic front, services PMI, FY20 GDP estimate and industrial production data is scheduled for release.



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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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