

## RESEARCH

### BOB Economics Research | Weekly Wrap

Markets await Q2 growth print

## SUMMARY

### India Economics: Weekly Wrap

US existing home sales rose at its fastest pace in 2-years. Even flash manufacturing PMIs for US and Eurozone edged up marginally in Nov'19. However, led by China, Japan's exports fell more than estimated. Global yields fell as US-China trade deal remains a mystery. On the domestic front, markets await Q2FY20 GDP data which is likely to drive another 25bps rate cut by RBI. Yields fell as a result, even as government revenues remain lackluster. Strategic disinvestment will have to fill in the gap.

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## TOP PICKS

### LARGE-CAP IDEAS

Company	Rating	Target
<a href="#">Cipla</a>	Buy	570
<a href="#">ONGC</a>	Buy	210
<a href="#">Petronet LNG</a>	Buy	400
<a href="#">Reliance Industries</a>	Buy	1,670
<a href="#">TCS</a>	Add	2,230

### MID-CAP IDEAS

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	2,290
<a href="#">Future Supply</a>	Buy	680
<a href="#">Greenply Industries</a>	Buy	210
<a href="#">Laurus Labs</a>	Buy	480
<a href="#">PNC Infratech</a>	Buy	245

Source: BOBCAPS Research

## DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.77	0bps	1bps	(127bps)
India 10Y yield (%)*	6.50	(1bps)	(1bps)	(121bps)
USD/INR	71.72	0.1	(1.1)	(1.4)
Brent Crude (US\$/bbl)	63.39	(0.9)	3.6	7.8
Dow	27,876	0.4	3.9	14.8
Shanghai	2,885	(0.6)	(1.9)	11.9
Sensex	40,359	(0.5)	3.3	15.4
India FII (US\$ mn)	21 Nov	MTD	CYTD	FYTD
FII-D	(44.9)	(114.6)	4,572.2	4,027.6
FII-E	697.2	2,181.9	12,404.7	5,559.5

Source: Bank of Baroda Economics Research | \*7.26% GS 2029

## BOBCAPS Research

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## WEEKLY WRAP

25 November 2019

**Markets await Q2 growth print**

**US existing home sales rose at its fastest pace in 2-years. Even flash manufacturing PMIs for US and Eurozone edged up marginally in Nov'19. However, led by China, Japan's exports fell more than estimated. Global yields fell as US-China trade deal remains a mystery. On the domestic front, markets await Q2FY20 GDP data which is likely to drive another 25bps rate cut by RBI. Yields fell as a result, even as government revenues remain lackluster. Strategic disinvestment will have to fill in the gap.**

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**Markets**

- **Bonds:** Global yields closed lower over political turmoil in Hong Kong and uncertainty over US-China trade deal. China 10Y yield fell the most (7bps) followed by US (6bps). US Fed and ECB will be data dependent, minutes suggest. Crude prices rose by 0.1% (US\$ 63/bbl) over anticipation of extension in OPEC production cuts upto Mar'20. India's 10Y yield fell by 2bps (6.5%) amidst expectation of rate cut by RBI. System liquidity surplus was at Rs 2.1tn as on 25 Nov 2019 vs Rs 2.5tn in the previous week.
- **Currency:** Global currencies closed mixed this week. Apart from progress in US-China trade deal, flash PMIs of major economies drove currency movements. DXY rose by 0.3% as US manufacturing and services PMI rose more than expected. However, EUR fell as services activity decelerated in Oct'19. Weak UK manufacturing PMI led to a weaker GBP (-0.5%). INR rose by 0.1% as investors await Q2FY20 GDP print.
- **Equity:** Concern over possible outcome of US-China trade deal and Fed minutes pushed the global equity markets lower in the week. Nikkei dropped the most (-0.8%) followed by Dax (-0.6%). Dow (-0.5%) broke its 4-week winning streak. Sensex on the other hand ended flat in absence of any fresh triggers.
- **Upcoming key events:** Markets will closely read macro prints from the US-second estimate of Q3 GDP, wholesale inventories, durable goods orders and new home sales. Apart from that, BoK's monetary policy decision and France and Italy's final GDP print for Q3 is also due. On the domestic front, GDP, eight core index and fiscal data are keenly 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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