

RESEARCH

BOB Economics Research | Currency Outlook

All eyes on Fed

Logistics

National Logistics Policy – Spearheading efficiency

Consumer Durables

Powering down – Appliances fuel energy savings

SUMMARY

India Economics: Currency Outlook

Dollar continued its upward momentum with the DXY index hovering close to a 20-year high. Investors are now focused on the Fed meeting this week, with a growing consensus of a 75 bps rate hike. More importantly, investors now expect a much higher Fed terminal rate which is contributing to the dollar strength. Global currencies have seen sharp decline against the dollar, languishing at multi-year lows. This has prompted global central banks to intervene in the forex market to support their respective currencies. In comparison, INR has fared better and has depreciated by only 0.4% in Sep'22. Lower oil prices and stable FPI inflows have limited the losses in INR. We expect INR to trade in the range of 79.65-79.90/\$ in the near-term. A lot will depend on Fed's commentary.

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

Logistics

- India's new National Logistics Policy aims to improve the logistics ecosystem by addressing policy gaps to lower costs
- Key targets are to align the cost of logistics with global benchmarks by 2030 and to raise India's performance ranking
- Policy will compliment PM GatiShakti National Master plan for multimodal connectivity

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Daily macro indicators

| Indicator | 15-Sep | 16-Sep | Chg (%) |
|------------------------|---------|--------|-------------|
| US 10Y yield (%) | 3.45 | 3.45 | 0bps |
| India 10Y yield (%) | 7.20 | 7.23 | 3bps |
| USD/INR | 79.70 | 79.75 | (0.1) |
| Brent Crude (US\$/bbl) | 90.8 | 91.4 | 0.6 |
| Dow | 30,962 | 30,822 | (0.5) |
| Hang Seng | 18,930 | 18,762 | (0.9) |
| Sensex | 59,934 | 58,841 | (1.8) |
| India FII (US\$ mn) | 14-Sep | 15-Sep | Chg (\$ mn) |
| FII-D | 30.4 | 109.8 | 79.4 |
| FII-E | (172.7) | (85.4) | 87.4 |

Source: Bank of Baroda Economics Research

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Consumer Durables

- India is among the few countries to fulfil its energy intensity mitigation target up to 2020
- Energy intensity has declined at a 3% CAGR vs. FY13 and a 5% CAGR vs. FY07
- Consumer durables accounted for 35% of India's power savings in 2020 spurred by product labelling norms

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

CURRENCY OUTLOOK

19 September 2022

All eyes on Fed

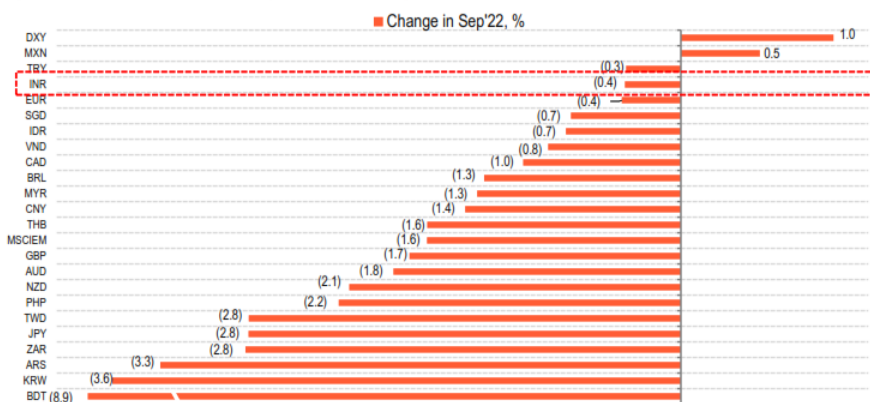
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Aditi Gupta
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Currency movement in Sep'22

There has been a sharp decline in global currencies in Sep'22 (Figure 1), as the widely anticipated US inflation report was higher than expected. CPI inflation in US edged up by 0.1% in Aug'22, on a MoM basis compared with expectations of a decline of (-) 0.1%, despite a moderation in global commodity prices and easing supply pressures. As a result, expectations of a third consecutive 75 bps rate hike by the Fed have increased (82% probability as per CME Fed watch tool). There are also expectations that the Fed may deliver a surprise 100 bps rate hike (20% probability). Projections of the terminal rate have also seen a sharp upward revision in recent days from about 3.7% to ~4.45% this week. This has also been reflected in rising US 2Y yields which are currently trading at a 15-year high of 3.87%. DXY index, measuring dollar's strength against a basket of other currencies has surged by 1% this month. As a result, almost all major currencies have depreciated against the dollar.

Figure 1: Global currencies depreciated in Sep'22



Source: Bloomberg, Bank of Baroda | Data as of 17 Sep 2022 | Note: Figures in bracket denote depreciation against USD



 **LOGISTICS**

19 September 2022

National Logistics Policy: Spearheading efficiency

- India's new National Logistics Policy aims to improve the logistics ecosystem by addressing policy gaps to lower costs
- Key targets are to align the cost of logistics with global benchmarks by 2030 and to raise India's performance ranking
- Policy will compliment PM GatiShakti National Master plan for multimodal connectivity

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New logistics policy aims to curb costs and drive efficiency: The Indian government launched a National Logistics Policy on 17 September to improve the logistics ecosystem in India by developing processes, standards, regulatory framework, integrated technology infrastructure and human resources in the sector. The objective is to curtail costs and improve efficiency for the seamless movement of goods so as to augment the ease of doing business in India.

Global benchmarking of Indian logistics sector: The policy aims to reduce the cost of logistics in India and render it comparable to global benchmarks by 2030. Currently, this cost is at 12-14% of GDP vs. 10% or less in the developed world. By containing costs, the policy aims to place India amongst the top 25 nations in the Logistics Performance Index from #44 currently.

Comprehensive Logistics Action Plan (CLAP): The proposed policy will be implemented through CLAP which has eight key action areas:

(1) integrate digital logistics systems – develop a unified logistics interface to link multiple data sources (ULIP); (2) standardise physical assets and benchmark service quality standards – minimise risk, optimise processes and improve ease of doing business; (3) develop logistics human resources and capacity building; (4) drive state engagement – support development of state/city-level logistics plans (LEADS); (5) improve EXIM (Export-Import) logistics – address infrastructure and procedural gaps in EXIM connectivity and create an efficient network for cross-border trade facilitation; (6) implement a service improvement framework (E-Logs); (7) create a sectoral plan for efficient logistics; (8) facilitate logistics park development.

Policy to accelerate formalisation of sector: The logistics policy aims to augment the sector's efficiency and, in line with past initiatives such as GST, e-way bills, and Fastag, accelerate the push from unorganised towards organised services, in our view. Further, it will drive a cost-effective transport mix in India vs. the current road-intensive mode by harnessing efficiency gains in a multimodal mix.



CONSUMER DURABLES

19 September 2022

Powering down: Appliances fuel energy savings

- India is among the few countries to fulfil its energy intensity mitigation target up to 2020
- Energy intensity has declined at a 3% CAGR vs. FY13 and a 5% CAGR vs. FY07
- Consumer durables accounted for 35% of India's power savings in 2020 spurred by product labelling norms

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Making strides in energy efficiency: India has committed to reducing energy intensity by 45% in 2030 against 2005 levels. In its Third Biennial Update Report submitted to the UNFCCC (United Nations Framework Convention on Climate Change), India highlighted that it has achieved a 24% reduction in emission intensity of GDP over 2005-16. Further, it is one of a handful of countries to have achieved its declared voluntary mitigation target up to 2020. Beyond this, India aims to reach 500GW of power from non-fossil fuel sources by 2030.

Energy intensity down 20% in seven years: India's energy intensity – measured as megajoules or MJ consumed per rupee of GDP – has reduced by 20% in FY20 from FY13 levels, a CAGR decline of 3%. Going further back to FY07, intensity levels have more than halved, falling at a 5% CAGR. India's FY20 energy intensity is 0.22 MJ/INR compared to 0.28MJ/INR in FY13 and 0.47MJ/INR in FY07 (Fig 1).

Consumer durables sector a key contributor: While renewable energy plays a primary role, India also has alternate routes to reduce energy intensity. Household appliances, for instance, fall under the Bureau of Energy Efficiency (BEE) – a regulatory body tasked with raising energy efficiency in the country. Per India's Central Electricity Authority (CEA), the BEE's Standards and Labeling (S&L) programme accounted for 35% of the energy saved in 2020 (in BU or billion units, Fig 2).

How S&L promotes energy savings: Under its S&L programme, the BEE maintains a list of appliances that must carry energy labeling to inform the consumer about their power consumption (and implied cost saving potential). Appliances must be rated on a scale of 1 to 5, with 5 being the most efficient. A total of 28 appliances are covered under S&L, of which labels for 10 are mandatory and 18 are voluntary (Fig 3).

Maintain preference for sector leaders: We continue to prefer leaders in their respective categories – HAVL (TP: Rs 1,500, BUY), CROMPTON (TP: Rs 500, BUY) and POLYCAB (TP: Rs 3,000, BUY).

Recommendation snapshot

| Ticker | Price | Target | Rating |
|-------------|-------|--------|--------|
| AMBER IN | 2,276 | 2,300 | HOLD |
| BLSTR IN | 1,088 | 1,100 | HOLD |
| CROMPTON IN | 399 | 500 | BUY |
| DIXON IN | 4,447 | 4,500 | BUY |
| HAVL IN | 1,302 | 1,500 | BUY |
| ORIENTEL IN | 271 | 310 | HOLD |
| POLYCAB IN | 2,599 | 3,000 | BUY |
| VGRD IN | 235 | 250 | HOLD |
| VOLT IN | 913 | 1,100 | HOLD |

Price & Target in Rupees | Price as of 16 Sep 2022



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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