

**RESEARCH**
**BOB Economics Research | Weekly Wrap**

US yields rise further

**SUMMARY**
**India Economics: Weekly Wrap**

US 10Y yield rose by 10bps to a 14-month high even as Fed Chair tried to calm the markets with forward guidance of accommodative policy. Even BoE reiterated that rate hike is not on the table. Oil prices fell by 6.8% on the back of rising US inventories. On the domestic front, surge in Covid-19 cases drove Sensex lower. India's 10Y yield fell by 4bps supported by lower oil prices and RBI's special OMO. INR gained led by FII inflows. Rising Covid-19 cases and localised lockdowns are at the margin negative from a growth standpoint.

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

**TOP PICKS**
**LARGE-CAP IDEAS**

| Company                       | Rating | Target |
|-------------------------------|--------|--------|
| <a href="#">Cipla</a>         | Buy    | 1,000  |
| <a href="#">GAIL</a>          | Buy    | 160    |
| <a href="#">Petronet LNG</a>  | Buy    | 330    |
| <a href="#">TCS</a>           | Buy    | 3,710  |
| <a href="#">Tech Mahindra</a> | Buy    | 1,130  |

**MID-CAP IDEAS**

| Company                             | Rating | Target |
|-------------------------------------|--------|--------|
| <a href="#">Alkem Labs</a>          | Buy    | 3,750  |
| <a href="#">Greenply Industries</a> | Buy    | 195    |
| <a href="#">Laurus Labs</a>         | Buy    | 480    |
| <a href="#">Transport Corp</a>      | Buy    | 330    |
| <a href="#">Mahanagar Gas</a>       | Sell   | 750    |

Source: BOBCAPS Research

**DAILY MACRO INDICATORS**

| Indicator                  | Current       | 2D (%)     | 1M (%)      | 12M (%)     |
|----------------------------|---------------|------------|-------------|-------------|
| US 10Y yield (%)           | 1.72          | 1bps       | 41bps       | 88bps       |
| India 10Y yield (%)        | 6.19          | (1bps)     | 17bps       | (7bps)      |
| USD/INR                    | 72.52         | 0          | 0.2         | 3.6         |
| Brent Crude (US\$/bbl)     | 64.53         | 2.0        | 1.9         | 139.2       |
| Dow                        | 32,628        | (0.7)      | 3.5         | 70.2        |
| Shanghai                   | 3,405         | (1.7)      | (6.9)       | 24.0        |
| Sensex                     | 49,858        | 1.3        | (4.3)       | 66.7        |
| <b>India FII (US\$ mn)</b> | <b>18 Mar</b> | <b>MTD</b> | <b>CYTD</b> | <b>FYTD</b> |
| FII-D                      | (42.6)        | (1,193.4)  | (2,677.6)   | (6,771.2)   |
| FII-E                      | 181.2         | 3,074.4    | 8,068.2     | 38,043.9    |

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

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## WEEKLY WRAP

22 March 2021

**US yields rise further**

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**Markets**

- **Bonds:** US 10Y yield rose the most by 10bps to 1.72% as US FOMC revised its growth and inflation projections upwards in CY21. Japan's 10Y yield on the other hand fell by 1bps supported by BoJ's measure to keep borrowing costs lower. Oil prices fell by 6.8% (US\$ 65/bbl) due to rise in US inventories. India's 10Y/2Y yield fell by 4bps/13bps respectively as RBI announced special OMOs of Rs 100bn. System liquidity surplus fell to Rs 3.9tn as on 19 Mar 2021, versus Rs 5.7tn in the previous week.
- **Currency:** Except JPY and INR, other global currencies closed lower. DXY rose by 0.3% in the week as US 10Y yield rose to a 14-month high. EUR fell by 0.4% as France announced fresh lockdown amidst rising Covid-19 cases. In Germany, ruling CDU lost key states. INR appreciated by 0.4% supported by lower oil prices (down by 6.8%) and FII inflows (US\$ 1.6bn).
- **Equity:** Barring Dax and Nikkei, other global indices ended lower on the back of rising US 10Y yields and slow pace of vaccination in Europe. Sensex fell by 1.8% amidst concerns over spike in Covid-19 cases in India. It was dragged down by real estate and capital goods stocks.
- **Covid-19 tracker:** Global cases rose by 3.2mn in the week ended 19 Mar 2021 versus 2.9mn in the previous week led by US, France and Italy. India added 0.2mn cases against 0.1mn cases in the previous week. Israel has managed to vaccinate 59.5% of its population followed by UK at 37.9%.
- **Upcoming key events:** Globally, flash manufacturing and services PMI and consumer confidence data of major economies will be in focus. In India, investors will closely monitor surge in Covid-19 cases.



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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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