

RESEARCH

BOB Economics Research | Weekly Wrap

Global yields dip, Indian yields rise

SUMMARY

India Economics: Weekly Wrap

Global yields (ex-India and China) fell after macro data showed global recovery flattening, in particular in Eurozone. US manufacturing and PMI were above estimates. So were jobless claims. Concerns over uncertainty of US recovery flagged by Fed pushed US 10Y yield lower by 8bps. On the other hand, India's 10Y yield rose by 14bps as higher than estimated inflation implies rate cuts are behind us. MPC members also raised concern about rising inflation. At the same time, India's economic recovery continues.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Bajaj Finance	Buy	4,000
Cipla	Buy	850
GAIL	Buy	155
Petronet LNG	Buy	310
Tech Mahindra	Buy	780

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,600
Chola Investment	Buy	280
Laurus Labs	Buy	1,200
Transport Corp	Buy	270
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.63	(2bps)	5bps	(91bps)
India 10Y yield (%)	6.09	14bps	28bps	(49bps)
USD/INR	74.85	0.2	(0.1)	(4.4)
Brent Crude (US\$/bbl)	44.35	(1.2)	2.4	(25.3)
Dow	27,930	0.7	4.8	9.0
Shanghai	3,381	0.5	1.7	16.7
Sensex	38,435	0.6	0.8	4.7
India FII (US\$ mn)	20 Aug	MTD	CYTD	FYTD
FII-D	(148.5)	(160.0)	(14,687.6)	(4,928.1)
FII-E	(21.5)	5,499.5	4,211.3	10,814.3

Source: Bank of Baroda Economics Research

BOBCAPS Research

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WEEKLY WRAP

24 August 2020

Global yields dip, Indian yields rise

Global yields (ex-India and China) fell after macro data showed global recovery flattening, in particular in Eurozone. US manufacturing and PMI were above estimates. So were jobless claims. Concerns over uncertainty of US recovery flagged by Fed pushed US 10Y yield lower by 8bps. On the other hand, India's 10Y yield rose by 14bps as higher than estimated inflation implies rate cuts are behind us. MPC members also raised concern about rising inflation. At the same time, India's economic recovery continues.

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Markets

- **Bonds:** Except India and China, global yields closed lower. US 10Y yield fell by 8bps (0.63%). Fed refrained from changing its guidance in its upcoming Sep'20 meeting. Oil prices fell by 1% (US\$ 44/bbl) as OPEC+ members expect oil demand to fall by 9.1mnbpd in CY20, 0.1mnbpd more than the previous forecast. India's 10Y yield rose the most by 14bps (6.09%) as RBI's hawkish minutes dented hopes of further rate cuts. System liquidity surplus was higher at Rs 3.6tn as on 21 Aug 2020 compared with Rs 3.3tn in the previous week.
- **Currency:** Global currencies closed mixed this week. DXY rose by 0.2% in the week supported by better than expected US PMI and existing home sales. However, higher than estimated increase in jobless claims capped gains. EUR depreciated by 0.4% in the week as Eurozone PMIs fell from previous month. INR appreciated marginally by 0.1% on the back of FII equity inflows of US\$ 1.9bn in the week.
- **Equity:** Barring Shanghai Comp and Sensex, global equity indices ended lower this week guided by Fed minutes and subdued PMI print for Eurozone. Amongst other indices, Nikkei (1.6%) declined the most followed by FTSE (1.4%). However, Sensex (1.5%) ended the week in green with power and metal stocks advancing the most.
- **Upcoming key events:** In the current week, markets will closely watch Q2CY20 GDP prints of US, Germany and France. In addition, Germany's IFO business sentiment index, US consumer confidence, China's industrial profits and BoK's rate decision will also be released. On the domestic front, RBI's balance sheet data is 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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