

RESEARCH

BOB Economics Research | Weekly Wrap

US Fed says rates close to neutral

SUMMARY

India Economics: Weekly Wrap

Global yields closed lower on the back of easing oil prices and rising concerns over global growth outlook. Uncertainty around Brexit also drove yields and equity markets lower. China and India managed to buck the trend. US\$ fell as Fed indicated it is close to neutral rates. Indian yields rose as WPI inflation was higher than estimates. INR appreciated and equity markets rose due to lower oil prices and FPI inflows. Going ahead, FPI inflows (US\$ 1.2bn) and lower oil prices (11.1%) bode well for the markets. RBI board meet will also drive markets this week.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
GAIL	Buy	525
Petronet LNG	Buy	340
Reliance Industries	Buy	1,340
Tata Motors	Buy	270
TCS	Buy	2,360

MID-CAP IDEAS

Company	Rating	Target
Greenply Industries	Buy	250
L&T Infotech	Buy	2,070
Mayur Uniquoters	Buy	565
Mphasis	Buy	1,360
Supreme Industries	Add	1,370

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	3.06	(5bps)	(14bps)	69bps
India 10Y yield (%)	7.82	6bps	(9bps)	75bps
USD/INR	71.93	0.1	2.3	(10.1)
Brent Crude (US\$/bbl)	66.76	0.2	(16.6)	8.8
Dow	25,413	0.5	(1.1)	8.3
Shanghai	2,679	0.4	4.6	(21.2)
Sensex	35,457	0.6	1.9	7.1
India FII (US\$ mn)	15 Nov	MTD	CYTD	FYTD
FII-D	51.8	741.1	(7,720.1)	(7,966.1)
FII-E	265.2	457.7	(5,300.4)	(7,425.9)

Source: Bank of Baroda Economics Research

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WEEKLY WRAP

19 November 2018

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Markets

- **Bonds:** Global yields closed lower due to lower crude prices (down 4.9% at US\$ 67/bbl) amid oversupply in the market. US 10Y yields declined by 12bps (3.06%) amidst growing Brexit concerns and US-China trade spat. US Fed indicating rates are close to neutral also drove rates lower. Indian 10Y yields firmed up by 5bps (7.82%) due to higher than expected rise in WPI. System liquidity is in deficit of Rs 974bn as on 17 Nov 2018 versus Rs 878bn in the previous week.
- **Currency:** Except GBP, all major currencies appreciated on the back of weakening dollar (DXY fell by 1.1%) after Fed officials expressed concerns over global growth outlook and that rates are close to neutral. GBP depreciated by 1.1% led by uncertainty around Brexit. INR appreciated by 0.8% supported by FII inflows of US\$ 816mn in the week. Rebounding exports in Oct'18 along with declining oil prices also lent support.
- **Equity:** Barring India and China, global indices closed lower. Dow posted a sharp weekly loss (-2.2%) largely led by tech stocks. In addition, investors remained cautious on account of uncertainties pertaining to Brexit and worries over slowdown in global growth. On the other hand, Shanghai comp surprised positively and gained by 3.1% after PBOC eased lending pressure on financial institutions. Sensex too ended in green.
- **Upcoming key events:** Investors in the coming week will closely watch Flash PMIs of major economies (US, Eurozone). Apart from this, US home sales and business fixed investment data will also shed some light on underlying growth dynamics. On the domestic front, RBI board meeting will chart market direction.



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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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