

MORNING MOCHA

11 December 2024

ECONOMIST

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Global markets monitored a slew of political and macro developments. This included political turmoil in South Korea, expectation of more stimulus from China's Central Economic Work Conference and ongoing retaliatory responses surrounding looming trade war. On macro front, US small business optimism held ground and non-farm productivity remained in line with estimates. The crucial CPI reading before Fed policy will be the key market driver. Some sequential firmness is expected in the data. In Germany, CPI showed moderation, ahead of ECB policy which might impact their decision making. In Japan, PPI firmed up raising further bets of rate hike by BoJ to maintain interest rate differential with the US. On domestic front, markets remained watchful of change of guard in RBI.

- Global indices ended mixed. Markets in US declined as focus shifted to US inflation report due later in the day. Tech stocks continued to underperform. In Asia, investors assessed weak macro data from China against reports of "looser" monetary policy stance in the country. Sensex ended steady as gains in real estate stocks were offset by losses in power and capital goods stocks. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	9-12-2024	10-12-2024	Change, %
Dow Jones	44,402	44,248	(0.3)
S & P 500	6,053	6,035	(0.3)
FTSE	8,352	8,280	(0.9)
Nikkei	39,161	39,368	0.5
Hang Seng	20,414	20,311	(0.5)
Shanghai Comp	3,403	3,423	0.6
Sensex	81,508	81,510	0
Nifty	24,619	24,610	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed as investors await US CPI report for further cues on US monetary policy. EUR declined by 0.3% ahead of ECB meeting, with another rate cut priced in. INR depreciated to a fresh record low amid increased bets of a rate cut in Feb'25. It is trading further weaker today, while other Asian currencies are trading mostly stronger.

Fig 2 – Currencies

	9-12-2024	10-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0554	1.0527	(0.3)
GBP/USD (1 GBP / USD)	1.2750	1.2771	0.2
USD/JPY (JPY / 1 USD)	151.21	151.95	(0.5)
USD/INR (INR / 1 USD)	84.73	84.85	(0.1)
USD/CNY (CNY / 1 USD)	7.2586	7.2498	0.1

Source: Bloomberg, Bank of Baroda



- Except China (lower), global yields edged up. UK's 10Y yield rose at the sharpest pace as estimates of neutral rate by Chief Economist shows little scope of steeper monetary easing. US 10Y yield firmed up ahead of CPI data. China's 10Y yield got comfort awaiting more stimulus. India's 10Y yield fell a tad and is trading at 6.72% today.

Fig 3 – Bond 10Y yield

	9-12-2024	10-12-2024	Change, bps
US	4.20	4.23	3
UK	4.27	4.32	5
Germany	2.12	2.12	0
Japan	1.05	1.07	2
China	1.93	1.86	(8)
India	6.72	6.71	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	9-12-2024	10-12-2024	change in bps
Tbill-91 days	6.40	6.41	1
Tbill-182 days	6.53	6.55	2
Tbill-364 days	6.54	6.54	0
G-Sec 2Y	6.65	6.64	(1)
India OIS-2M	6.61	6.62	1
India OIS-9M	6.44	6.41	(3)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.60	4.63	3

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	9-12-2024	10-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	(0.4)	(0.2)
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-12-2024	09-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	418.6	125.3	(293.3)
Debt	511.4	54.5	(456.9)
Equity	(92.9)	70.8	163.7
Mutual funds (Rs cr)	(9,716.3)	(1,924.7)	7,791.6
Debt	(7,134.6)	(3,639.2)	3,495.4
Equity	(2,581.7)	1,714.5	4,296.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 05 Dec and 06 Dec 2024

- Oil prices rose on demand optimism amidst reports of fresh stimulus in China.

Fig 7 – Commodities

	9-12-2024	10-12-2024	% change
Brent crude (US\$/bbl)	72.1	72.2	0.1
Gold (US\$/ Troy Ounce)	2,660.3	2,694.3	1.3
Copper (US\$/ MT)	9,119.0	9,101.0	(0.2)
Zinc (US\$/MT)	3,106.6	3,109.8	0.1
Aluminium (US\$/MT)	2,588.0	2,608.5	0.8

Source: Bloomberg, Bank of Baroda Research



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