

## MORNING MOCHA

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ECONOMIST

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US CPI data firmed up by 0.3% in Nov'24 against 0.2% in Oct'24, on a sequential basis. The YoY reading stood at 2.7%. Core CPI was also sticky rising by 0.3% and 3.3%, on a sequential and YoY basis, respectively. However, this bit of momentum was priced in, and market is still anticipating rate cut of 25bps by Fed in the Dec policy. Among major asset classes, dollar tightened, US 10Y yield firmed up and gold prices moved higher. However, that has a lot to do with the underlying geopolitical dynamics at play. Crude prices firmed up following EU's sanction on Russia. Elsewhere, Bank of Canada went for an outsized cut of 50bps as tariff fear from the US linger. On domestic market, some downside surprise in CPI is expected which might comfort the yields.

- Except Dow Jones and Hang Seng, other global indices ended with gains. Investors monitored US inflation which was in line with market expectations. The possibility of a 25bps rate cut in Dec'24 is now fully priced in. S&P 500 advanced the most, led by a rebound in tech shares. Sensex ended flat as losses in banking and power stocks offset gains in others. It is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	10-12-2024	11-12-2024	Change, %
Dow Jones	44,248	44,149	(0.2)
S & P 500	6,035	6,084	0.8
FTSE	8,280	8,302	0.3
Nikkei	39,368	39,372	0
Hang Seng	20,311	20,155	(0.8)
Shanghai Comp	3,423	3,432	0.3
Sensex	81,510	81,526	0
Nifty	24,610	24,642	0.1

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended weaker against the dollar. DXY strengthened by 0.3% tracking the US inflation report. CNY fell on reports that China is likely to allow the currency to depreciate next year. JPY also depreciated by 0.3% as BoJ's rate hike path remains unclear. INR is trading a tad weaker today, while other Asian currencies are trading mostly stronger.

**Fig 2 – Currencies**

	10-12-2024	11-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0527	1.0496	(0.3)
GBP/USD (1 GBP / USD)	1.2771	1.2751	(0.2)
USD/JPY (JPY / 1 USD)	151.95	152.45	(0.3)
USD/INR (INR / 1 USD)	84.85	84.84	0
USD/CNY (CNY / 1 USD)	7.2498	7.2630	(0.2)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. US 10Y yield firmed up as CPI data showed some build up. UK 10Y yield inched down a tad as liquidity reforms are awaited. Germany's 10Y yield closed flat awaiting ECB policy. India's 10Y yield rose marginally and is trading at 6.73% today.

**Fig 3 – Bond 10Y yield**

	10-12-2024	11-12-2024	Change, bps
US	4.23	4.27	4
UK	4.32	4.32	(1)
Germany	2.12	2.13	0
Japan	1.07	1.08	1
China	1.86	1.84	(2)
India	6.71	6.72	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	10-12-2024	11-12-2024	change in bps
Tbill-91 days	6.41	6.44	3
Tbill-182 days	6.55	6.59	4
Tbill-364 days	6.54	6.55	1
G-Sec 2Y	6.65	6.64	(1)
India OIS-2M	6.62	6.63	1
India OIS-9M	6.41	6.43	2
SONIA int rate benchmark	4.70	4.70	-
US SOFR	4.63	4.64	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	10-12-2024	11-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.5)	(0.1)
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	9-12-2024	10-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	125.3	516.5	391.2
Debt	54.5	296.4	241.9
Equity	70.8	220.0	149.3
Mutual funds (Rs cr)	(1,924.7)	(3,037.1)	(1,112.4)
Debt	(3,639.2)	(1,821.7)	1,817.5
Equity	1,714.5	(1,215.4)	(2,929.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 06 Dec and 09 Dec 2024

- Oil prices rose as EU announced new sanctions on Russia.

**Fig 7 – Commodities**

	10-12-2024	11-12-2024	% change
Brent crude (US\$/bbl)	72.2	73.5	1.8
Gold (US\$/ Troy Ounce)	2,694.3	2,718.2	0.9
Copper (US\$/ MT)	9,101.0	9,074.1	(0.3)
Zinc (US\$/MT)	3,109.8	3,094.9	(0.5)
Aluminium (US\$/MT)	2,608.5	2,601.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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