

MORNING MOCHA

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ECONOMIST

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Fed minutes indicated the FOMC members broadly agree on going easing on future rate cuts. While welcoming the moderation in inflation and the resilient labour market, Committee members remained cautious over the outlook and are likely to continue with a data dependent approach. Market participants still expect the Fed to lower rates by 25bps in Dec'24, however rate cut expectations in 2025 have been scaled back. Separate data showed a sharp increase in US Conference Board consumer confidence index to a 16-month high of 111.7 in Nov'24 (est. 111.3) from 108.7 in Oct'24. On the other hand, new home sales declined by 9.4% in Oct'24 as high mortgage costs dented demand. In China, industrial profits declined by 10.1% in Oct'24, after a 27.1% decline last month. The marginal improvement was attributed to the stimulus measures announced by the government.

- Global indices closed mixed monitoring US President elect's Cabinet appointments and Fed's minutes cautious approach. Stocks in Japan moderated amidst fear of rising rate differentials. In China, stocks declined due to risks from higher US tariffs. US stocks gained. Sensex edged down led by power stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	25-11-2024	26-11-2024	Change, %
Dow Jones	44,737	44,860	0.3
S & P 500	5,987	6,022	0.6
FTSE	8,292	8,259	(0.4)
Nikkei	38,780	38,442	(0.9)
Hang Seng	19,151	19,159	0
Shanghai Comp	3,264	3,260	(0.1)
Sensex	80,110	80,004	(0.1)
Nifty	24,222	24,195	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.2% as Fed minutes suggested that the pace of easing is likely to be gradual. JPY rose by 0.8% as Japan's service inflation remained firmly above 3%, raising prospects of rate hikes by BoJ. INR depreciated by 0.1%. It is trading further weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	25-11-2024	26-11-2024	Change, %
EUR/USD (1 EUR / USD)	1.0495	1.0489	(0.1)
GBP/USD (1 GBP / USD)	1.2568	1.2569	0
USD/JPY (JPY / 1 USD)	154.23	153.08	0.8
USD/INR (INR / 1 USD)	84.29	84.34	(0.1)
USD/CNY (CNY / 1 USD)	7.2462	7.2502	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. US 10Y yield inched up as Fed minutes reflected some restrictiveness in future policy course. Germany's 10Y yield softened as a key ECB official spoke of the need for looser monetary policy. 10Y yields in Japan, China and India's traded in a narrow range in absence of fresh cues. India's 10Y yield is trading at 6.85% today.

Fig 3 – Bond 10Y yield

	25-11-2024	26-11-2024	Change, bps
US	4.27	4.31	3
UK	4.34	4.35	1
Germany	2.21	2.19	(2)
Japan	1.08	1.07	0
China	2.06	2.06	0
India	6.85	6.86	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	25-11-2024	26-11-2024	change in bps
Tbill-91 days	6.48	6.48	0
Tbill-182 days	6.63	6.60	(3)
Tbill-364 days	6.61	6.58	(3)
G-Sec 2Y	6.72	6.71	(1)
India OIS-2M	6.64	6.64	0
India OIS-9M	6.56	6.56	0
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.57	4.58	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	25-11-2024	26-11-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.4	0.3
Reverse Repo	0.3	0.1	(0.2)
Repo	0	0.5	0.5

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	22-11-2024	25-11-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	140.4	137.7	(2.7)
Debt	(16.6)	10.7	27.3
Equity	157.0	127.0	(30.0)
Mutual funds (Rs cr)	(1,412.9)	810.7	2,223.6
Debt	(5,307.1)	(817.7)	4,489.3
Equity	3,894.2	1,628.5	(2,265.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 21 Nov and 22 Nov 2024

- Oil prices dipped amidst reports of ceasefire between Israel and Hezbollah.

Fig 7 – Commodities

	25-11-2024	26-11-2024	% change
Brent crude (US\$/bbl)	73.0	72.8	(0.3)
Gold (US\$/ Troy Ounce)	2,625.0	2,633.2	0.3
Copper (US\$/ MT)	8,923.4	8,884.1	(0.4)
Zinc (US\$/MT)	3,020.2	3,081.9	2.0
Aluminium (US\$/MT)	2,652.0	2,612.5	(1.5)

Source: Bloomberg, Bank of Baroda Research



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