

MORNING MOCHA

28 November 2024

ECONOMIST

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US GDP growth was left unchanged at 2.8% in Q3CY24 led by buoyant consumer spending (3.5%). Inflationary concerns were reignited as PCE index advanced 2.3% in Oct'24 from 2.1%. Core PCE index, Fed's preferred gauge of inflation also picked up to 2.8% (2.7% in Sep'24). Separately, jobless claims rose by 9,000 to the highest level since Nov'21. Core capital goods orders declined by 0.2% in Oct'24, after rising by 0.2% in Sep'24 (MoM). While the data has not dented hopes of a rate cut in Dec'24, analysts are likely to rejig their rate cut expectations in 2025. Separately, Bank of Korea surprised markets by effecting a first back-to-back rate cut since 2009. Policy rate was reduced by 25bps to 3%, citing moderation in inflation and stalling growth. In Australia, a strong labour market is likely to delay the possibility of a rate cut by the RBA. In the Eurozone as well, a key ECB member emphasised the need for gradual rate cuts, allowing the policy rate to move towards a 'neutral' rate.

- Global indices closed mixed monitoring host of macro releases in the US which gave diverging signals. Stickiness in US core PCE led to a fall in US stocks. Hang Seng and Shanghai Comp firmed up assessing China's macro data. Sensex was supported by power stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	26-11-2024	27-11-2024	Change, %
Dow Jones	44,860	44,722	(0.3)
S & P 500	6,022	5,999	(0.4)
FTSE	8,259	8,275	0.2
Nikkei	38,442	38,135	(0.8)
Hang Seng	19,159	19,603	2.3
Shanghai Comp	3,260	3,310	1.5
Sensex	80,004	80,234	0.3
Nifty	24,195	24,275	0.3

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies appreciated. DXY declined as investors digested US macro data. EUR rose amidst hawkish comments from an ECB official. JPY also rose as investors increased bets of a rate hike by BoJ. INR is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	26-11-2024	27-11-2024	Change, %
EUR/USD (1 EUR / USD)	1.0489	1.0566	0.7
GBP/USD (1 GBP / USD)	1.2569	1.2680	0.9
USD/JPY (JPY / 1 USD)	153.08	151.09	1.3
USD/INR (INR / 1 USD)	84.34	84.45	(0.1)
USD/CNY (CNY / 1 USD)	7.2502	7.2452	0.1

Source: Bloomberg, Bank of Baroda



- Global yields softened. UK's 10Y yield fell the most supported by a strengthening currency which led to some asset allocation. Mixed data in the US led to some tilt towards sovereign debt. In Germany as well, yields moderated despite hawkish comments from ECB board member. India's 10Y yield fell a tad and is trading further lower at 6.83%.

Fig 3 – Bond 10Y yield

	26-11-2024	27-11-2024	Change, bps
US	4.31	4.26	(4)
UK	4.35	4.30	(6)
Germany	2.19	2.16	(3)
Japan	1.07	1.07	0
China	2.06	2.05	0
India	6.86	6.84	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-11-2024	27-11-2024	change in bps
Tbill-91 days	6.48	6.48	0
Tbill-182 days	6.60	6.65	5
Tbill-364 days	6.58	6.64	6
G-Sec 2Y	6.71	6.71	(1)
India OIS-2M	6.64	6.64	(0)
India OIS-9M	6.56	6.55	(2)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.58	4.58	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-11-2024	27-11-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.3	(0.1)
Reverse Repo	0.1	0.1	0
Repo	0.5	0.8	0.3

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-11-2024	26-11-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,351.1	554.5	(796.7)
Debt	210.2	101.9	(108.3)
Equity	1,141.0	452.6	(688.4)
Mutual funds (Rs cr)	810.7	(11,302.5)	(12,113.2)
Debt	(817.7)	(7,266.0)	(6,448.3)
Equity	1,628.5	(4,036.5)	(5,664.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 22 Nov and 25 Nov 2024

- Oil prices were stable eyeing geopolitical developments and OPEC+ meeting.

Fig 7 – Commodities

	26-11-2024	27-11-2024	% change
Brent crude (US\$/bbl)	72.8	72.8	0
Gold (US\$/ Troy Ounce)	2,633.2	2,636.0	0.1
Copper (US\$/ MT)	8,884.1	8,901.7	0.2
Zinc (US\$/MT)	3,081.9	3,136.7	1.8
Aluminium (US\$/MT)	2,612.5	2,595.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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