

MORNING MOCHA

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ECONOMIST

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US President-elect Trump recently made comments on the so called 'BRICS nation' with a warning of not creating a new currency that could replace dollar or else they will have to face 100% tariffs. This comes in the wake of the proposed tariff announcement against China, Canada and Mexico. Separately in China, official manufacturing PMI reading came in at 50.3 (highest- since Apr'24) against 50.1 in Oct'24. On domestic front, India's Q2FY25 GDP came in much lower than anticipated at 5.4%. However, a strong recovery is expected in Q3 and Q4 with an estimated GDP growth of 6.6-6.8% for FY25 (BoB estimate). Markets this week will closely track the global manufacturing PMI, US Jobs report and factory order along with RBI's credit policy, scheduled later this week.

- Most of the global indices closed higher led by a rally in technology stocks. European indices ended in green as investors monitored the CPI print and assessed the possibility of rate cut in Dec'24. Nikkei ended in red amidst growing expectations of rate hike. Amongst other indices, Sensex ended in green led by gains in IT and oil & gas stocks. However, it is trading lower today, while Asian stocks are trading higher.

Fig 1 – Stock markets

	28-11-2024	29-11-2024	Change, %
Dow Jones	44,722	44,911	0.4
S & P 500	5,999	6,032	0.6
FTSE	8,281	8,287	0.1
Nikkei	38,349	38,208	(0.4)
Hang Seng	19,367	19,424	0.3
Shanghai Comp	3,296	3,326	0.9
Sensex	79,044	79,803	1.0
Nifty	23,914	24,131	0.9

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 28 Nov 2024

- Global currencies ended broadly stronger against the dollar. DXY was marginally weaker ahead of key data releases this week. JPY rose sharply by 1.2% on increased expectations of a rate hike by BoJ. INR ended flat awaiting a meaningful revival in FPI inflows. It is however trading at a fresh record low of 84.6/\$ today, in line with other Asian currencies.

Fig 2 – Currencies

	28-11-2024	29-11-2024	Change, %
EUR/USD (1 EUR / USD)	1.0552	1.0577	0.2
GBP/USD (1 GBP / USD)	1.2687	1.2735	0.4
USD/JPY (JPY / 1 USD)	151.55	149.77	1.2
USD/INR (INR / 1 USD)	84.50	84.49	0
USD/CNY (CNY / 1 USD)	7.2445	7.2467	0

Source: Bloomberg, Bank of Baroda



- Global yields softened. US 10Y yield declined by 9bps as market participants await US jobs report and PMI data. Yields in Germany and UK also edged lower. India's 10Y yield also fell by 9bps as GDP growth moderated more than expected in Q2FY25. It is trading stable at 6.74% today.

Fig 3 – Bond 10Y yield

	28-11-2024	29-11-2024	Change, bps
US	4.26	4.17	(9)
UK	4.28	4.24	(3)
Germany	2.13	2.09	(4)
Japan	1.06	1.05	(1)
China	2.04	2.03	(1)
India	6.83	6.74	(9)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 28 Nov 2024

Fig 4 – Short term rates

	28-11-2024	29-11-2024	change in bps
Tbill-91 days	6.48	6.47	(1)
Tbill-182 days	6.65	6.65	0
Tbill-364 days	6.64	6.60	(4)
G-Sec 2Y	6.72	6.63	(9)
India OIS-2M	6.62	6.63	0
India OIS-9M	6.54	6.54	0
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.58	4.57	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	28-11-2024	29-11-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	(0.5)	(0.6)
Reverse Repo	0.1	0	(0.1)
Repo	0.5	0	(0.5)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-11-2024	28-11-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	19.4	(869.3)	(888.8)
Debt	143.6	140.6	(3.0)
Equity	(124.2)	(1,009.9)	(885.7)
Mutual funds (Rs cr)	(2,998.8)	16.1	3,014.9
Debt	(3,878.6)	(1,765.7)	2,112.9
Equity	879.8	1,781.8	902.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 26 Nov and 27 Nov 2024

- Oil prices slipped as supply concerns eased, despite OPEC+ extending output cuts.

Fig 7 – Commodities

	28-11-2024	29-11-2024	% change
Brent crude (US\$/bbl)	73.3	72.9	(0.5)
Gold (US\$/ Troy Ounce)	2,637.9	2,643.2	0.2
Copper (US\$/ MT)	8,884.4	8,891.9	0.1
Zinc (US\$/MT)	3,056.9	3,108.7	1.7
Aluminium (US\$/MT)	2,599.0	2,594.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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