

MORNING MOCHA

03 December 2024

ECONOMIST
Jahnavi Prabhakar

Political turmoil unfolded in France as the current government is on the brink of a potential collapse. Poor manufacturing data for Eurozone and concerns around political unrest, resulted in weakness in Euro and slipping down of bond yields. Separately, investors will focus towards upcoming commentary by Fed officials and US jobs report which might offer some guidance on rate cut trajectory. Investors have priced in a possibility (60%) of 25bps rate cut in Dec'24 meet. On domestic front, the government has apprised that the base year for calculating GDP will be revised from 2011-12 currently to 2022-23. The revision is expected to be completed by early CY26. Additionally, ahead of the RBI's credit policy, there is a speculation of a possible CRR cut or OMO cut in order to boost liquidity instead of a repo rate cut.

- Apart from Dow Jones, other global indices closed higher. S&P 500 inched up. Better than expected PMI print in US and proposed plans of deregulation and tax cuts by President-elect Trump lifted investors sentiments. Technology stocks rallied. Amongst other indices, Shanghai Comp gained the most. Sensex too closed in green supported by gains in real estate and consumer durable stocks. It is trading higher lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	29-11-2024	02-12-2024	Change, %
Dow Jones	44,911	44,782	(0.3)
S & P 500	6,032	6,047	0.2
FTSE	8,287	8,313	0.3
Nikkei	38,208	38,513	0.8
Hang Seng	19,424	19,550	0.7
Shanghai Comp	3,326	3,364	1.1
Sensex	79,803	80,248	0.6
Nifty	24,131	24,276	0.6

Source: Bloomberg, Bank of Baroda Research

- Barring JPY, other global currencies ended lower. DXY strengthened by 0.7%, supported by higher treasury yields and safe haven demand. President-elect Trump's recent tariff threats revived dollar demand. Yen was helped by high possibility of rate hike by BoJ in Dec'24. INR depreciated by 0.2%, tracking global cues. It is trading even lower today, in line with other Asian currencies.

Fig 2 – Currencies

	29-11-2024	02-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0577	1.0498	(0.7)
GBP/USD (1 GBP / USD)	1.2735	1.2655	(0.6)
USD/JPY (JPY / 1 USD)	149.77	149.60	0.1
USD/INR (INR / 1 USD)	84.49	84.70	(0.2)
USD/CNY (CNY / 1 USD)	7.2467	7.2743	(0.4)

Source: Bloomberg, Bank of Baroda



- Except US and Japan, other bond yields closed lower. 10Y yield in US rose by 2bps, as investors digest data showing slower pace of contraction in the manufacturing sector. BoJ Governor's hawkish comments pushed yields higher. Japan's 2Y rose to 16-year high in the previous session. India's 10Y yield fell by 3bps, tracking dip in oil prices. It is trading even higher at 6.87% today.

Fig 3 – Bond 10Y yield

	29-11-2024	02-12-2024	Change, bps
US	4.17	4.19	2
UK	4.24	4.21	(3)
Germany	2.09	2.03	(5)
Japan	1.05	1.08	3
China	2.03	1.99	(4)
India	6.74	6.71	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	29-11-2024	02-12-2024	change in bps
Tbill-91 days	6.47	6.43	(4)
Tbill-182 days	6.65	6.61	(4)
Tbill-364 days	6.60	6.56	(4)
G-Sec 2Y	6.63	6.62	(1)
India OIS-2M	6.52	6.48	(4)
India OIS-9M	6.43	6.36	(7)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.57	4.59	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	29-11-2024	02-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.9)	(0.4)
Reverse Repo	0	0.02	0.02
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-11-2024	29-11-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(869.3)	131.6	1,000.9
Debt	140.6	248.8	108.2
Equity	(1,009.9)	(117.2)	892.7
Mutual funds (Rs cr)	16.1	(814.5)	(830.5)
Debt	(1,765.7)	(4,756.0)	(2,990.3)
Equity	1,781.8	3,941.5	2,159.7

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 27 Nov and 28 Nov 2024

- Oil prices continue to plummet, driven by over-supply concerns in 2025.

Fig 7 – Commodities

	29-11-2024	02-12-2024	% change
Brent crude (US\$/bbl)	72.9	71.8	(1.5)
Gold (US\$/ Troy Ounce)	2,643.2	2,639.1	(0.2)
Copper (US\$/ MT)	8,891.9	8,874.1	(0.2)
Zinc (US\$/MT)	3,108.7	3,071.6	(1.2)
Aluminium (US\$/MT)	2,594.0	2,590.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com