

MORNING MOCHA

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ECONOMIST

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A new political upheaval unfolded in South Korea after to and fro on the imposition of martial law. Bank of Korea sprung in to action and stated it will employ sufficient measures to boost liquidity with the aim to stabilize the foreign exchange and financial market. Separately, China's Caixin services PMI dropped down marginally to 51.5 in Nov'24 from 52 in Oct'24. This was much slower than anticipated as growth in new business eased with concerns emerging on global trade outlook as competition intensified. In US, jobs openings inched up marginally in Oct'24 (7.7mn from 7.4mn in Sep'24), with hiring slowing down, signalling a mixed picture with signs that the labour market might be stabilizing. Mixed commentary by Fed officials did not offer much guidance on rate trajectory.

- Apart from Dow Jones, other global indices closed higher. Investors monitored comments by Fed officials with focus shifting towards other data points (ISM and JOLTs). Amongst other indices, Nikkei gained the most. Sensex climbed up supported by strong gains in capital goods and power stocks. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	02-12-2024	03-12-2024	Change, %
Dow Jones	44,782	44,706	(0.2)
S & P 500	6,047	6,050	0
FTSE	8,313	8,359	0.6
Nikkei	38,513	39,249	1.9
Hang Seng	19,550	19,746	1.0
Shanghai Comp	3,364	3,379	0.4
Sensex	80,248	80,846	0.7
Nifty	24,276	24,457	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by 0.1%, as investors await US payroll data to gauge Fed's rate cut trajectory. CNY fell the most by (-) 0.2% as investors assess the possible impact of US President-elect's tariff threats. INR ended flat, even as oil prices jumped higher. It is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	02-12-2024	03-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0498	1.0509	0.1
GBP/USD (1 GBP / USD)	1.2655	1.2673	0.1
USD/JPY (JPY / 1 USD)	149.60	149.60	0
USD/INR (INR / 1 USD)	84.70	84.70	0
USD/CNY (CNY / 1 USD)	7.2743	7.2863	(0.2)

Source: Bloomberg, Bank of Baroda



- Except bond yields in Asia, other bond yields closed higher. 10Y yield in both US and UK rose by 3bps. Increase in job openings in the US and decline in layoff have again increased uncertainty around Fed's rate cut trajectory. India's 10Y yield remained unchanged, despite jump in oil prices. However, it is trading slightly lower today at 6.69%, amidst hopes of an early rate cut by RBI.

Fig 3 – Bond 10Y yield

	02-12-2024	03-12-2024	Change, bps
US	4.19	4.22	3
UK	4.21	4.24	3
Germany	2.03	2.05	2
Japan	1.08	1.08	0
China	1.99	2.00	0
India	6.71	6.71	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	02-12-2024	03-12-2024	change in bps
Tbill-91 days	6.43	6.39	(4)
Tbill-182 days	6.61	6.55	(6)
Tbill-364 days	6.56	6.53	(3)
G-Sec 2Y	6.62	6.61	(1)
India OIS-2M	6.48	6.46	(2)
India OIS-9M	6.36	6.36	0
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.59	4.64	5

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	02-12-2024	03-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.9)	(1.0)	(0.1)
Reverse Repo	0.02	0.02	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	02-12-2024	03-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	131.6	886.3	754.7
Debt	248.8	438.3	189.5
Equity	(117.2)	448.0	565.2
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 rebounded, tracking tensions in Middle East and US' oil demand.

Fig 7 – Commodities

	02-12-2024	03-12-2024	% change
Brent crude (US\$/bbl)	71.8	73.6	2.5
Gold (US\$/ Troy Ounce)	2,639.1	2,643.5	0.2
Copper (US\$/ MT)	8,874.1	9,010.2	1.5
Zinc (US\$/MT)	3,071.6	3,086.9	0.5
Aluminium (US\$/MT)	2,590.0	2,609.5	0.8

Source: Bloomberg, Bank of Baroda Research



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