

MORNING MOCHA

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ECONOMIST

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US Fed's Beige book noted the underlying strength in the economy as economic activity expanded moderately in Nov'24. Businesses remained hopeful of a pickup in demand in the near term. This was further reiterated by US Fed Chair Powell in his comments as he stated the economy is in a 'good shape' and can 'afford to be a cautious as we try find a neutral'. This comes at the heel of the upcoming jobs report with investors anticipating another rate cut in Dec'24. The increasing confidence in rate cuts drove the equity indices and bitcoin higher. On the domestic front, market will closely monitor the RBI's policy decision scheduled tomorrow.

- Global indices ended mixed. US indices ended in green led by a rally in technology stocks. Optimistic comments by Fed Chair along with Fed's Beige book also uplifted the market. FTSE slipped tracking lower manufacturing PMI. It was also weighed down by comments by BoE's Governor. Sensex inched up with gains in real estate stocks. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	03-12-2024	04-12-2024	Change, %
Dow Jones	44,706	45,014	0.7
S & P 500	6,050	6,086	0.6
FTSE	8,359	8,336	(0.3)
Nikkei	39,249	39,276	0.1
Hang Seng	19,746	19,742	0
Shanghai Comp	3,379	3,365	(0.4)
Sensex	80,846	80,956	0.1
Nifty	24,457	24,467	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY ended flat, as investors digested weak macro data (ADP employment, ISM services). JPY slid the most, as investors monitor global developments. But it is expected to get support from possible rate hike by BoJ this month. INR ended flat, even as oil prices fell. It is trading broadly at unchanged levels, while other Asian currencies are trading higher.

Fig 2 – Currencies

	03-12-2024	04-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0509	1.0511	0
GBP/USD (1 GBP / USD)	1.2673	1.2701	0.2
USD/JPY (JPY / 1 USD)	149.60	150.59	(0.7)
USD/INR (INR / 1 USD)	84.70	84.74	0
USD/CNY (CNY / 1 USD)	7.2863	7.2641	0.3

Source: Bloomberg, Bank of Baroda

- Except UK and Germany, bond yields fell elsewhere. 10Y yield in US fell the most by 4bps. Weaker than expected ADP employment data, brought yields



down, as chances of Fed rate cut in Dec'24 increased further. India's 10Y yield also fell by 3bps, tracking decline in oil prices. It is trading flat today, as investors await RBI's monetary policy decision due tomorrow.

Fig 3 – Bond 10Y yield

	03-12-2024	04-12-2024	Change, bps
US	4.22	4.18	(4)
UK	4.24	4.25	1
Germany	2.05	2.06	1
Japan	1.08	1.07	(1)
China	2.00	1.98	(2)
India	6.71	6.69	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	03-12-2024	04-12-2024	change in bps
Tbill-91 days	6.39	6.42	3
Tbill-182 days	6.55	6.52	(3)
Tbill-364 days	6.53	6.52	(1)
G-Sec 2Y	6.61	6.61	0
India OIS-2M	6.46	6.46	0
India OIS-9M	6.36	6.35	(1)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.64	4.64	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-12-2024	04-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(0.7)	0.3
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)	886.3	1,350.4	464.1
Debt	438.3	253.3	(185.0)
Equity	448.0	1,097.1	649.1
Mutual funds (Rs cr)	4,393.6	1,284.5	(3,109.1)
Debt	916.0	(2,500.7)	(3,416.6)
Equity	3,477.7	3,785.2	307.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 29 Nov and 2 Dec 2024

- Oil prices fell as markets await OPEC+ decision regarding supply cuts.

Fig 7 – Commodities

	03-12-2024	04-12-2024	% change
Brent crude (US\$/bbl)	73.6	72.3	(1.8)
Gold (US\$/ Troy Ounce)	2,643.5	2,649.9	0.2
Copper (US\$/ MT)	9,010.2	8,970.0	(0.4)
Zinc (US\$/MT)	3,086.9	3,083.1	(0.1)
Aluminium (US\$/MT)	2,609.5	2,646.5	1.4

Source: Bloomberg, Bank of Baroda Research



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