

MORNING MOCHA

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ECONOMIST

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OPEC+ in its highly anticipated meeting decided to postpone the output hike by over 3-months on the back of weak demand and rising output levels outside the group. Now, these are expected to start by Apr'25 with gradual unwinding and is expected to last till Sep'26. As a result, oil prices dipped. In US, the weekly jobless claims rose more than anticipated to a 1-month high to 224k against 215k for the previous week. Continuing claims dropped down to 1.87mn and remains low as per the long run standard. As per analyst, this could prompt Fed to lower rates in the upcoming meeting. Separately the US trade deficit narrowed by 11.9% to US\$ 73.8bn in Oct'24 lower than expectation (US\$ 75bn) and led by sharp decline in imports (4%- biggest drop since Nov'22). In India, investors will focus on RBI's credit policy.

- Global indices ended mixed. US indices closed lower ahead of the monthly jobs report which might offer some guidance of rate trajectory. European stocks ended in green amidst hopes of new budget announcement by a new French government. Sensex rallied further with gains in IT stocks. It is trading lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	04-12-2024	05-12-2024	Change, %
Dow Jones	45,014	44,766	(0.6)
S & P 500	6,086	6,075	(0.2)
FTSE	8,336	8,349	0.2
Nikkei	39,276	39,396	0.3
Hang Seng	19,742	19,560	(0.9)
Shanghai Comp	3,365	3,369	0.1
Sensex	80,956	81,766	1.0
Nifty	24,467	24,708	1.0

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other major global currencies closed higher against the US\$. DXY fell by (-) 0.6%, driven by weaker than expected initial jobless claims data. EUR and GBP rose the most, supported by rise in treasury yields. INR ended flat, ahead of RBI's policy decision. It is trading notably higher today, in line with other Asian currencies.

Fig 2 – Currencies

	04-12-2024	05-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0511	1.0586	0.7
GBP/USD (1 GBP / USD)	1.2701	1.2759	0.5
USD/JPY (JPY / 1 USD)	150.59	150.10	0.3
USD/INR (INR / 1 USD)	84.74	84.74	0
USD/CNY (CNY / 1 USD)	7.2641	7.2588	0.1

Source: Bloomberg, Bank of Baroda



- Global bond yields closed mixed. While 10Y yield in US was flat, yields went up in UK and Germany. Investors in the US tracked slightly higher than estimated initial jobless claims. Non-farm payroll data is also awaited. In Europe, political upheaval guided the markets, even as ECB is set to cut rates this month. India's 10Y yield ended flat at 6.68%. It is trading at the same level even today.

Fig 3 – Bond 10Y yield

	04-12-2024	05-12-2024	Change, bps
US	4.18	4.18	0
UK	4.25	4.28	3
Germany	2.06	2.11	5
Japan	1.07	1.07	0
China	1.98	1.96	(2)
India	6.69	6.68	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-12-2024	05-12-2024	change in bps
Tbill-91 days	6.42	6.37	(5)
Tbill-182 days	6.52	6.53	1
Tbill-364 days	6.52	6.52	0
G-Sec 2Y	6.61	6.62	2
India OIS-2M	6.46	6.47	1
India OIS-9M	6.35	6.36	1
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.64	4.59	(5)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-12-2024	05-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.4)	0.3
Reverse Repo	0.02	0.02	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-12-2024	04-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,350.4	374.4	(976.1)
Debt	253.3	36.2	(217.1)
Equity	1,097.1	338.1	(759.0)
Mutual funds (Rs cr)	1,284.5	(6,034.1)	(7,318.6)
Debt	(2,500.7)	(5,622.3)	(3,121.6)
Equity	3,785.2	(411.8)	(4,197.0)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 2 Dec and 3 Dec 2024

- Oil prices fell, as extension of production cuts by OPEC+, signals weak demand.

Fig 7 – Commodities

	04-12-2024	05-12-2024	% change
Brent crude (US\$/bbl)	72.3	72.1	(0.3)
Gold (US\$/ Troy Ounce)	2,649.9	2,631.7	(0.7)
Copper (US\$/ MT)	8,970.0	8,961.8	(0.1)
Zinc (US\$/MT)	3,083.1	3,099.1	0.5
Aluminium (US\$/MT)	2,646.5	2,639.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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