

MORNING MOCHA

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ECONOMIST

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In the US, payroll data showed some aberration as it went up to 227K in Nov'24 from 36K, last month. This is driven by exogenous weather and strike related shocks, which is going to wane out soon. Thus, it builds up expectation of rate cut by Fed in Dec, probability of which surged to 86% against 66%, last week (CME Fed watch data). On the other hand, US consumer sentiment surged to its highest (U. of Michigan) since Apr'24 and inflation expectations remained sticky as some pricing in of inflationary policies under new political ideology have happened. Central bank officials also gave conflicting signals with Fed official acknowledging underlying price pressure and BoE official highlighting risks to restrictive policy. On domestic front, RBI's policy remains well balanced with status quo on rates, cut in CRR for infusing liquidity and an array of regulatory developments to restore financial stability.

- Global indices ended mixed. Dow Jones, FTSE, Nikkei and Indian markets closed lower. Stronger than expected non-farm payroll data has revived the debate around pace of rate cuts by Fed in CY25. FTSE was hit as BoE is also expected to follow a cautious approach next year. Sensex fell on the back of tech stocks. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	5-12-2024	6-12-2024	Change, %
Dow Jones	44,766	44,643	(0.3)
S & P 500	6,075	6,090	0.2
FTSE	8,349	8,309	(0.5)
Nikkei	39,396	39,091	(0.8)
Hang Seng	19,560	19,866	1.6
Shanghai Comp	3,369	3,404	1.0
Sensex	81,766	81,709	(0.1)
Nifty	24,708	24,678	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except JPY (higher) and INR (flat), other major global currencies closed weaker. DXY fell by (-) 0.5%, as chances of Fed cutting rates in Dec'24 increased. JPY gained, following remarks of BoJ member signalling that rate hike in Dec'24 is still a possibility. INR remained flat, even as bond yields rose, and oil prices fell. It is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	5-12-2024	6-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0586	1.0568	(0.2)
GBP/USD (1 GBP / USD)	1.2759	1.2744	(0.1)
USD/JPY (JPY / 1 USD)	150.10	150.00	0.1
USD/INR (INR / 1 USD)	84.74	84.70	0
USD/CNY (CNY / 1 USD)	7.2588	7.2717	(0.2)

Source: Bloomberg, Bank of Baroda



- Global yields softened as traders priced in disruption in payroll numbers due to exogenous factors. Yields of other economies traded in a thin range. India's 10Y yield witnessed sharp pickup as RBI kept policy rates unchanged albeit increase in inflation projections. Some upside pressure also reigned in as RBI flagged risks wrt. liquidity conditions. India's 10Y yield is trading at 6.73% today.

Fig 3 – Bond 10Y yield

	5-12-2024	6-12-2024	Change, bps
US	4.18	4.15	(2)
UK	4.28	4.28	(1)
Germany	2.11	2.11	(0)
Japan	1.07	1.06	(1)
China	1.96	1.95	(1)
India	6.68	6.75	7

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	5-12-2024	6-12-2024	change in bps
Tbill-91 days	6.37	6.36	(1)
Tbill-182 days	6.53	6.53	0
Tbill-364 days	6.52	6.55	3
G-Sec 2Y	6.62	6.63	1
India OIS-2M	6.47	6.62	15
India OIS-9M	6.36	6.47	11
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.59	4.59	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	5-12-2024	6-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.6)	(0.2)
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-12-2024	05-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	374.4	1,359.0	984.7
Debt	36.2	239.1	202.9
Equity	338.1	1,119.9	781.8
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 02 Dec and 03 Dec 2024

- Oil prices fell, as demand concerns weighed on sentiments.

Fig 7 – Commodities

	5-12-2024	6-12-2024	% change
Brent crude (US\$/bbl)	72.1	71.1	(1.3)
Gold (US\$/ Troy Ounce)	2,631.7	2,633.4	0.1
Copper (US\$/ MT)	8,961.8	9,011.9	0.6
Zinc (US\$/MT)	3,099.1	3,052.9	(1.5)
Aluminium (US\$/MT)	2,639.0	2,603.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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