

MORNING MOCHA

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As final voting date for US Presidential election nears, there remains heightened uncertainty regarding the outcome. Polls are showing a close call. Fed is also due to make a decision regarding its rate cut trajectory. Latest macro data confirms that durable goods orders fell by (-) 0.5% in Sep'24, following downwardly revised (-) 0.8% decline in Aug'24. Manufacturing ISM index has already confirmed that this slowdown persisted in Oct'24 as well. In Europe, Markit manufacturing PMI index rose a tad to 46 in Oct'24 (5-month high) from 45 in Sep'24, as activity contracted at a slower pace in Germany (PMI at 3-month high of 43). RBA in its latest meeting has kept its policy rate unchanged, due to slow disinflationary trend. Domestically, manufacturing PMI index showed improvement in activity in Oct'24 (57.5 versus 56.5), driven by higher production. Rise in input prices could pose a challenge.

- US stocks was pared down as uncertainty looms over election outcome. Muted factory and durable goods orders also weighed down sentiments. Asian stocks inched up awaiting China's stimulus measures. Sensex moderated led by real estate stocks. It is trading lower today while Asian stocks are trading higher tracking China's upbeat PMI data.

Fig 1 – Stock markets

	1-11-2024	4-11-2024	Change, %
Dow Jones	42,052	41,795	(0.6)
S & P 500	5,729	5,713	(0.3)
FTSE	8,177	8,184	0.1
Nikkei	39,081	38,054	(2.6)
Hang Seng	20,506	20,568	0.3
Shanghai Comp	3,272	3,310	1.2
Sensex	79,724	78,782	(1.2)
Nifty	24,304	23,995	(1.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 4 Nov 2024

- Except JPY and INR, other major currencies ended higher against the US\$. DXY fell by (-) 0.4%, as treasury yields declined. Investors are also maintaining a close watch regarding trends in US Presidential election race (surprise lead by Harris in Iowa). INR fell to its record low level, as oil prices inched up. It is trading even lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	1-11-2024	4-11-2024	Change, %
EUR/USD (1 EUR / USD)	1.0834	1.0878	0.4
GBP/USD (1 GBP / USD)	1.2924	1.2957	0.3
USD/JPY (JPY / 1 USD)	152.03	153.01	(0.6)
USD/INR (INR / 1 USD)	84.08	84.11	0
USD/CNY (CNY / 1 USD)	7.1290	7.1009	0.4

Source: Bloomberg, Bank of Baroda | Note: markets in India were closed on 1 Nov 2024; Markets in Japan were closed on 4 Nov 2024



- US 10Y yield continued its downward momentum driver by weaker macro numbers. Some frontloading is happening ahead of election outcome. Yields of other countries also moderated to maintain the yield differential with the US. India's 10Y yield also fell by 2bps. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	1-11-2024	4-11-2024	Change, bps
US	4.38	4.28	(10)
UK	4.45	4.46	1
Germany	2.41	2.40	(1)
Japan	0.95	0.95	0
China	2.14	2.12	(2)
India	6.85	6.83	(2)

Source: Bloomberg, Bank of Baroda Research | Note: markets in India were closed on 1 Nov 2024; Markets in Japan were closed on 4 Nov 2024

Fig 4 – Short term rates

	31-10-2024	4-11-2024	change in bps
Tbill-91 days	6.51	6.47	(4)
Tbill-182 days	6.56	6.57	1
Tbill-364 days	6.54	6.58	4
G-Sec 2Y	6.71	6.71	0
India OIS-2M	6.60	6.59	0
India OIS-9M	6.56	6.56	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.90	4.86	(4)

Source: Bloomberg, Bank of Baroda Research | Note: markets in India were closed on 1 Nov 2024

Fig 5 – Liquidity

Rs tn	31-10-2024	4-11-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(2.8)	(1.3)
Reverse Repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: markets in India were closed on 1 Nov 2024

Fig 6 – Capital market flows

	30-10-2024	31-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(201.3)	(149.0)	52.4
Debt	60.0	367.6	307.5
Equity	(261.4)	(516.5)	(255.2)
Mutual funds (Rs cr)	(1,226.1)	1,792.9	3,019.1
Debt	(2,111.4)	(2,411.9)	(300.5)
Equity	885.2	4,204.8	3,319.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 29 and 30th Oct 2024

- Oil prices rebounded, as OPEC+ plans to continue its output cuts until Dec'24.

Fig 7 – Commodities

	1-11-2024	4-11-2024	% change
Brent crude (US\$/bbl)	73.1	75.1	2.7
Gold (US\$/ Troy Ounce)	2,736.5	2,736.8	0
Copper (US\$/ MT)	9,444.8	9,568.4	1.3
Zinc (US\$/MT)	3,073.2	3,012.9	(2.0)
Aluminium (US\$/MT)	2,600.0	2,620.0	0.8

Source: Bloomberg, Bank of Baroda Research



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