

MORNING MOCHA

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 ECONOMIST
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In a tight race between Trump and Harris, President elect Trump proved to be a clear winner. This led to sharp jump in US bond yields, currency and stock indices. Election results have also revived worries regarding government's fiscal discipline, borrowing levels and thus the inflation trajectory. While Fed is expected to be on track to cut rates by 25bps in its meeting ending later today, future trajectory has become uncertain. Analyst now expect ~62bps cut next year, down from ~90bps cut expected until last week. For global growth recovery, tariffs on China are now a key risk. Latest data shows that China's exports rose by 12.7% in Oct'24 (est.: +5%) from 2.4% in Sep'24 due to seasonal factors (improved weather conditions for shipments, and demand ahead of Christmas). In contrast imports fell by (-) 2.3% (est.: -2%). China is expected to unveil more fiscal stimulus measures on Friday.

- Global indices ended mixed. Investors monitored the outcome of US Presidential elections and turned their focus towards the upcoming Fed rate decision. Dow Jones surged by 3.6%, followed by gains in Nikkei. Sensex continued the upward momentum ending in green led by a strong rally in IT and oil & gas stocks. It is trading lower today while Asian indices are trading mixed.

Fig 1 – Stock markets

	5-11-2024	6-11-2024	Change, %
Dow Jones	42,222	43,730	3.6
S & P 500	5,783	5,929	2.5
FTSE	8,172	8,167	(0.1)
Nikkei	38,475	39,481	2.6
Hang Seng	21,007	20,538	(2.2)
Shanghai Comp	3,387	3,384	(0.1)
Sensex	79,477	80,378	1.1
Nifty	24,213	24,484	1.1

Source: Bloomberg, Bank of Baroda Research

- Major currencies ended lower against the dollar. DXY firmed up (1.6%) to a 4-month high post a stellar victory by Donald Trump. The Fed's upcoming rate decision will be closely watched as Trump's victory could possibly delay the easing cycle. INR depreciated despite a dip in oil prices. It is trading at similar levels today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	5-11-2024	6-11-2024	Change, %
EUR/USD (1 EUR / USD)	1.0930	1.0729	(1.8)
GBP/USD (1 GBP / USD)	1.3042	1.2879	(1.2)
USD/JPY (JPY / 1 USD)	151.62	154.63	(1.9)
USD/INR (INR / 1 USD)	84.11	84.28	(0.2)
USD/CNY (CNY / 1 USD)	7.1047	7.1753	(1.0)

Source: Bloomberg, Bank of Baroda



- Except Germany and India, other global 10Y yields closed higher. US10Y jumped sharply by 16bps, as Presidential election results showed Trump as the clear winner. Concerns regarding fiscal deficit levels and inflation trajectory resurfaced. India's 10Y yield closed flat, and is trading a tad lower today at 6.82%, tracking decline in oil prices.

Fig 3 – Bond 10Y yield

	5-11-2024	6-11-2024	Change, bps
US	4.27	4.43	16
UK	4.53	4.56	3
Germany	2.43	2.41	(2)
Japan	0.94	0.98	4
China	2.11	2.12	1
India	6.83	6.83	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	5-10-2024	6-11-2024	change in bps
Tbill-91 days	6.48	6.46	(2)
Tbill-182 days	6.58	6.60	2
Tbill-364 days	6.59	6.59	0
G-Sec 2Y	6.72	6.72	0
India OIS-2M	6.59	6.58	(1)
India OIS-9M	6.57	6.56	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.82	4.82	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	5-11-2024	6-11-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.8)	(2.8)	0
Reverse Repo	1.0	1.7	0.7
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	4-11-2024	5-11-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(561.8)	(32.9)	528.9
Debt	(19.4)	173.8	193.2
Equity	(542.4)	(206.8)	335.6
Mutual funds (Rs cr)	(401.9)	1,584.3	1,986.2
Debt	(0.2)	193.1	193.3
Equity	(401.6)	1,391.2	1,792.8

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 1 and 4 Nov 2024

- Oil prices declined, as US\$ strengthened sharply, after election results.

Fig 7 – Commodities

	5-11-2024	6-11-2024	% change
Brent crude (US\$/bbl)	75.5	74.9	(0.8)
Gold (US\$/ Troy Ounce)	2,744.0	2,659.1	(3.1)
Copper (US\$/ MT)	9,598.0	9,199.6	(4.2)
Zinc (US\$/MT)	3,083.6	2,948.6	(4.4)
Aluminium (US\$/MT)	2,660.0	2,615.5	(1.7)

Source: Bloomberg, Bank of Baroda Research



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