

**MORNING MOCHA**

08 November 2024

 ECONOMIST  
**Sonal Badhan**

In line with market expectations, US Fed lowered its policy rates by 25bps to 4.5-4.75%, in view of easing labour market conditions. Fed Chair also cautioned that federal government's fiscal policy is unsustainable. The Board will await more data on inflation and employment before making a rate cut decision in Dec'24. Markets are currently pricing in ~70% of a 25bps cut in Dec'24. A pause is also expected in Jan'25. Separately, Bank of England (BoE) also announced its rate decision in view of gradual disinflation process. However, the Governor again cautioned that the central bank is unlikely to lower rates too fast or too steeply, in order to bring inflation down to 2% on durable basis. Impact of budget on inflation and growth indicates that it will take longer to reach the 2% inflation mark now. Growth forecast for CY25 was raised to 1.5% (1% earlier) and inflation forecast to 2.7% (2.5% in CY24).

- Global indices ended mixed. S&P 500 gained post-election rally and after the Fed reduced rates by 25bps. The rally was further supported by lower treasury yields. Shanghai Comp gained the most awaiting the announcement of fiscal stimulus package from the government. Sensex ended in red amidst pressure from FII selling. It is trading lower today while Asian indices are trading mixed.

**Fig 1 – Stock markets**

	6-11-2024	7-11-2024	Change, %
Dow Jones	43,730	43,729	0
S & P 500	5,929	5,973	0.7
FTSE	8,167	8,141	(0.3)
Nikkei	39,481	39,381	(0.3)
Hang Seng	20,538	20,953	2.0
Shanghai Comp	3,384	3,471	2.6
Sensex	80,378	79,542	(1.0)
Nifty	24,484	24,199	(1.2)

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other major currencies ended higher. DXY retreated after climbing to a 4-month high as investors monitored the Fed's rate decision. EUR edged up amidst news of political turmoil brewing in Germany. After the BoE lowered rates, GBP inched up. INR weakened amidst rise in oil prices. It is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	6-11-2024	7-11-2024	Change, %
EUR/USD (1 EUR / USD)	1.0729	1.0805	0.7
GBP/USD (1 GBP / USD)	1.2879	1.2987	0.8
USD/JPY (JPY / 1 USD)	154.63	152.94	1.1
USD/INR (INR / 1 USD)	84.28	84.38	(0.1)
USD/CNY (CNY / 1 USD)	7.1753	7.1434	0.4

Source: Bloomberg, Bank of Baroda



- Major global 10Y yields closed mixed. US 10Y yield fell sharply by 11bps, as Fed lowered its benchmark rates by 25bps. Fed Chair's statement suggested further reduction in rates in Dec'24. UK gilts also reacted to BoE's rate cut decision. India's 10Y yield closed flat, but is trading a tad lower today at 6.81%, tracking global cues.

**Fig 3 – Bond 10Y yield**

	6-11-2024	7-11-2024	Change, bps
US	4.43	4.33	(11)
UK	4.56	4.50	(6)
Germany	2.41	2.45	4
Japan	0.98	1.01	3
China	2.12	2.12	(1)
India	6.83	6.82	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	6-10-2024	7-11-2024	change in bps
Tbill-91 days	6.46	6.43	(3)
Tbill-182 days	6.60	6.59	(1)
Tbill-364 days	6.59	6.57	(2)
G-Sec 2Y	6.72	6.73	1
India OIS-2M	6.58	6.59	1
India OIS-9M	6.56	6.55	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.82	4.81	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	6-11-2024	7-11-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.8)	(2.4)	0.4
Reverse Repo	1.7	0.2	(1.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	5-11-2024	6-11-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(32.9)	(757.9)	(725.0)
Debt	173.8	(317.1)	(490.9)
Equity	(206.8)	(440.9)	(234.1)
Mutual funds (Rs cr)	1,584.3	1,471.3	(113.0)
Debt	193.1	(589.5)	(782.6)
Equity	1,391.2	2,060.8	669.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 4 and 5 Nov 2024

- Oil prices rose, supported by weaker US\$ and Fed rate cut decision.

**Fig 7 – Commodities**

	6-11-2024	7-11-2024	% change
Brent crude (US\$/bbl)	74.9	75.6	0.9
Gold (US\$/ Troy Ounce)	2,659.1	2,706.7	1.8
Copper (US\$/ MT)	9,199.6	9,527.1	3.6
Zinc (US\$/MT)	2,948.6	3,030.4	2.8
Aluminium (US\$/MT)	2,615.5	2,694.5	3.0

Source: Bloomberg, Bank of Baroda Research



## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

chief.economist@bankofbaroda.com