

**MORNING MOCHA**

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**ECONOMIST**  
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US labour market data is pointing towards a slowdown, as non-farm payrolls rose by only 12k in Oct'24 versus est.: 113k increase. However, analyst believe that this is temporary and was largely due to factors such as: strike by Boeing workers and 2 major hurricanes. Manufacturing sector was hit the most. This is last jobs report before Presidential elections and Fed rate decision, both due this week. US ISM manufacturing index for Oct'24 also showed that activity contracted at a faster pace (46.5) versus last month (47.2). Production was most impacted, and input price reportedly increased. In view of this, and awaiting the result of closely fought US Presidential elections, investors expect 25bps Fed rate cut this week. Apart from developments in the US, markets this will also react to RBA's decision, China's parliamentary meeting outcome, and South Korea's inflation report.

- US stocks edged up as traders are frontloading positions ahead of election. Opinion polls suggested a tight run. This will also coincide with Fed meeting where policy easing is anticipated. Nikkei moderated weighed down by yen. Shanghai Comp softened awaiting fiscal stimulus. Sensex inched up driven by auto stocks. It is trading lower today while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

|               | 31-10-2024 | 1-11-2024 | Change, % |
|---------------|------------|-----------|-----------|
| Dow Jones     | 41,763     | 42,052    | 0.7       |
| S & P 500     | 5,705      | 5,729     | 0.4       |
| FTSE          | 8,110      | 8,177     | 0.8       |
| Nikkei        | 39,081     | 38,054    | (2.6)     |
| Hang Seng     | 20,317     | 20,506    | 0.9       |
| Shanghai Comp | 3,280      | 3,272     | (0.2)     |
| Sensex        | 79,389     | 79,724    | 0.4       |
| Nifty         | 24,205     | 24,304    | 0.4       |

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.3%, driven by heightened political uncertainty ahead of a close US Presidential election race. Further, despite softer labour market data, analysts are expecting Fed to cut rates less aggressively. INR continues to hover near record low levels, and is trading flat even today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

|                       | 31-10-2024 | 1-11-2024 | Change, % |
|-----------------------|------------|-----------|-----------|
| EUR/USD (1 EUR / USD) | 1.0884     | 1.0834    | (0.5)     |
| GBP/USD (1 GBP / USD) | 1.2899     | 1.2924    | 0.2       |
| USD/JPY (JPY / 1 USD) | 152.03     | 153.01    | (0.6)     |
| USD/INR (INR / 1 USD) | 84.09      | 84.08     | 0         |
| USD/CNY (CNY / 1 USD) | 7.1180     | 7.1290    | (0.2)     |

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



- US 10Y yield rose at the sharpest pace as earnings data showed some stickiness. This was also supplemented by uncertainty looming over US elections. US and Japan's 10Y yield remained stable monitoring differential with US yield. China's 10Y yield moderated ahead of policymakers meet. India's 10Y yield inched up by 2bps. It is trading at the same level today.

**Fig 3 – Bond 10Y yield**

|         | 31-10-2024 | 1-11-2024 | Change, bps |
|---------|------------|-----------|-------------|
| US      | 4.28       | 4.38      | 10          |
| UK      | 4.45       | 4.45      | 0           |
| Germany | 2.39       | 2.41      | 1           |
| Japan   | 0.95       | 0.95      | 0           |
| China   | 2.15       | 2.14      | (1)         |
| India   | 6.83       | 6.85      | 2           |

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

**Fig 4 – Short term rates**

|                          | 30-10-2024 | 31-1-2024 | change in bps |
|--------------------------|------------|-----------|---------------|
| Tbill-91 days            | 6.50       | 6.51      | 1             |
| Tbill-182 days           | 6.61       | 6.56      | (5)           |
| Tbill-364 days           | 6.59       | 6.54      | (5)           |
| G-Sec 2Y                 | 6.72       | 6.71      | (1)           |
| India OIS-2M             | 6.60       | 6.60      | 0             |
| India OIS-9M             | 6.55       | 6.56      | 2             |
| SONIA int rate benchmark | 4.95       | 4.95      | 0             |
| US SOFR                  | 4.81       | 4.90      | 9             |

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

**Fig 5 – Liquidity**

| Rs tn                             | 30-10-2024 | 31-10-2024 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (1.6)      | (1.5)      | 0.1            |
| Reverse Repo                      | 0.3        | 0          | (0.3)          |
| Repo                              | 0.2        | 0          | (0.2)          |

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

**Fig 6 – Capital market flows**

|                      | 29-10-2024 | 30-10-2024 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | 66.6       | (201.3)    | (267.9)                |
| Debt                 | 172.8      | 60.0       | (112.8)                |
| Equity               | (106.2)    | (261.4)    | (155.2)                |
| Mutual funds (Rs cr) | (159.9)    | (1,226.1)  | (1,066.3)              |
| Debt                 | (2,087.7)  | (2,111.4)  | (23.7)                 |
| Equity               | 1,927.8    | 885.2      | (1,042.6)              |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 28 and 29th Oct 2024

- Oil prices fell, following the news of record US crude output.

**Fig 7 – Commodities**

|                         | 31-10-2024 | 1-11-2024 | % change |
|-------------------------|------------|-----------|----------|
| Brent crude (US\$/bbl)  | 73.2       | 73.1      | (0.1)    |
| Gold (US\$/ Troy Ounce) | 2,744.0    | 2,736.5   | (0.3)    |
| Copper (US\$/ MT)       | 9,373.6    | 9,444.8   | 0.8      |
| Zinc (US\$/MT)          | 3,031.2    | 3,073.2   | 1.4      |
| Aluminium (US\$/MT)     | 2,617.5    | 2,600.0   | (0.7)    |

Source: Bloomberg, Bank of Baroda Research



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