

MORNING MOCHA

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In view of elevated mortgage rates in the US, single-family housing starts fell by 6.9% in Oct'24 to 970k units. 30-yr fixed mortgage rate in the US had jumped to 6.72% by the end of Oct'24 from 6.08% by the end of Sep'24. It is currently further higher at 6.78%. This reflects that markets are pricing in Fed's policy rates to remain elevated for a longer period. Investors are currently bracing for new policies to be announced by the Trump administration. Tariffs on all imports is likely to impact both global growth and inflation. Separately in the UK, inflation in Oct'24 rose by 2.3% (est.: 2.2%) from 1.7% in Sep'24, primarily due to energy prices. Services inflation also remains higher at 5% (4.9% in Sep'24). In Asia, given the increase in geo-political uncertainty and the headwinds faced by Indonesian Rupiah, Bank of Indonesia decided to keep the rates unchanged at 5.25% in Nov'24.

- Barring FTSE and Nikkei, global indices closed higher. Investors are assessing range of factors from US President elect's policy to Fed's trajectory. A major chipmaker's less than expected financial results also capped gains. Nikkei moderated as cautiousness prevailed ahead of stimulus measures. Shanghai Comp rose the most. Sensex is trading lower today in line with Asian indices.

Fig 1 – Stock markets

	19-11-2024	20-11-2024	Change, %
Dow Jones	43,269	43,408	0.3
S & P 500	5,917	5,917	0
FTSE	8,099	8,085	(0.2)
Nikkei	38,414	38,352	(0.2)
Hang Seng	19,664	19,705	0.2
Shanghai Comp	3,346	3,368	0.7
Sensex	77,339	77,578	0.3
Nifty	23,454	23,519	0.3

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 20 Nov 2024

- Major global currencies ended lower against the US\$. DXY rose by 0.4%. Dollar strengthened as probability of a rate cut by Fed in Dec'24 continues to dwindle. EUR fell against the \$ as investors second guess the impact of possible Trump tariffs on Europe. Indian markets were closed, however, INR is trading a tad weaker today, while other Asian currencies are trading higher.

Fig 2 – Currencies

	19-11-2024	20-11-2024	Change, %
EUR/USD (1 EUR / USD)	1.0596	1.0544	(0.5)
GBP/USD (1 GBP / USD)	1.2682	1.2652	(0.2)
USD/JPY (JPY / 1 USD)	154.66	155.44	(0.5)
USD/INR (INR / 1 USD)	84.40	84.41	0
USD/CNY (CNY / 1 USD)	7.2394	7.2455	(0.1)

Source: Bloomberg, Bank of Baroda | Note: Markets in India were closed on 20 Nov 2024



- Except China (tad lower), global yields firmed up as dollar continued to exhibit stickiness. UK's 10Y yield firmed up the most supported by a stickier inflation reading. In US, varied comments from Fed officials kept yield range bound. India's 10Y yield is trading at the same level today at 6.85%.

Fig 3 – Bond 10Y yield

	19-11-2024	20-11-2024	Change, bps
US	4.40	4.41	1
UK	4.44	4.47	3
Germany	2.34	2.35	1
Japan	1.07	1.08	1
China	2.10	2.09	(1)
India	6.86	6.85	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 20 Nov 2024

Fig 4 – Short term rates

	18-11-2024	19-11-2024	change in bps
Tbill-91 days	6.45	6.45	0
Tbill-182 days	6.59	6.59	0
Tbill-364 days	6.59	6.58	(1)
G-Sec 2Y	6.72	6.70	(2)
India OIS-2M	6.63	6.63	0
India OIS-9M	6.58	6.56	(2)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.57	4.57	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 20 Nov 2024

Fig 5 – Liquidity

Rs tn	18-11-2024	19-11-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.7)	(1.0)	0.7
Reverse Repo	0.1	0.4	0.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 20 Nov 2024

Fig 6 – Capital market flows

	14-11-2024	18-11-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(211.6)	(528.7)	(317.2)
Debt	(34.7)	(288.4)	(253.7)
Equity	(176.9)	(240.3)	(63.5)
Mutual funds (Rs cr)	2,044.7	(805.8)	(2,850.5)
Debt	775.8	(1,443.5)	(2,219.3)
Equity	1,268.9	637.7	(631.2)

Source: Bloomberg, Bank of Baroda Research, Note: MF data as of 8th and 11th Nov 2024

- Oil prices fell, as US crude oil inventory rose more than expected.

Fig 7 – Commodities

	19-11-2024	20-11-2024	% change
Brent crude (US\$/bbl)	73.3	72.8	(0.7)
Gold (US\$/ Troy Ounce)	2,632.1	2,650.6	0.7
Copper (US\$/ MT)	8,966.6	8,968.0	0
Zinc (US\$/MT)	2,940.3	2,976.1	1.2
Aluminium (US\$/MT)	2,644.5	2,644.0	0

Source: Bloomberg, Bank of Baroda Research



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