

**MORNING MOCHA**

20 December 2024

 ECONOMIST  
**Sonal Badhan**

US macro data shows that economy continues to remain strong, giving further merit to Fed's higher for longer rates in CY25. GDP growth for Q3 was revised up to 3.1% from 2.8% estimated earlier, backed by upward revisions to exports and private consumption. Initial jobless claims for the week ending 14 Dec'24, fell by 22k from the previous week to 220k (est.: 229k), signalling labour market strength. Existing home sales jumped by 4.8% (MoM) to 4.15mn units (highest since Mar'24), despite higher mortgage rates. Elsewhere in Europe, BoE decided to leave its policy rate unchanged at 4.75%, but the split amongst members widened. Markets are pricing in fewer rate cuts (upto two) in CY25, given continued increase in wage growth and elevated services inflation. In Germany, Gfk consumer confidence shows sentiment improving for Jan'25 (-21.3 from -23.1 in Dec'24), despite labour market concerns.

- Barring Dow Jones (flat), other global indices ended lower. Investors monitored the Fed's decision and hawkish outlook. US data (weekly jobless claims and Q3 GDP print) further supported this decision. Sensex ended in red led by sharp losses in banking and consumer durable stocks. It is trading lower today while other Asian indices are trading mixed.

**Fig 1 – Stock markets**

	18-12-2024	19-12-2024	Change, %
Dow Jones	42,327	42,342	0
S & P 500	5,872	5,867	(0.1)
FTSE	8,199	8,105	(1.1)
Nikkei	39,082	38,814	(0.7)
Hang Seng	19,865	19,753	(0.6)
Shanghai Comp	3,382	3,370	(0.4)
Sensex	80,182	79,218	(1.2)
Nifty	24,199	23,952	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except for the EUR, other global currencies closed lower. DXY strengthened amidst stronger reading for Q3 GDP data (3.1% from previous estimate of 2.8%). Yen weakened after the BoJ with an 8-1 vote decided to keep rates on hold. INR depreciated. It is trading weaker today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	18-12-2024	19-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0353	1.0363	0.1
GBP/USD (1 GBP / USD)	1.2574	1.2502	(0.6)
USD/JPY (JPY / 1 USD)	154.80	157.44	(1.7)
USD/INR (INR / 1 USD)	84.96	85.08	(0.1)
USD/CNY (CNY / 1 USD)	7.2857	7.2958	(0.1)

Source: Bloomberg, Bank of Baroda



- Except Japan and China (flat), other global 10Y yields inched further up. Upward revision to US Q3 GDP, and lower than expected jobless claims reaffirmed fears that Fed will cut rates more slowly in CY25. BoE also seems less willing to cut rates aggressively next year. India's 10Y yield rose by 4bps, tracking global cues. It is trading steady today, despite decline in oil prices.

**Fig 3 – Bond 10Y yield**

	18-12-2024	19-12-2024	Change, bps
US	4.51	4.56	5
UK	4.56	4.58	2
Germany	2.25	2.31	6
Japan	1.08	1.08	0
China	1.77	1.76	0
India	6.75	6.79	4

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	18-12-2024	19-12-2024	change in bps
Tbill-91 days	6.45	6.47	2
Tbill-182 days	6.63	6.65	2
Tbill-364 days	6.62	6.64	2
G-Sec 2Y	6.68	6.73	5
India OIS-2M	6.64	6.67	3
India OIS-9M	6.49	6.56	7
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.62	4.57	(5)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	18-12-2024	19-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	1.6	0.1
Reverse Repo	0	0	0
Repo	2.0	2.0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	17-12-2024	18-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(401.2)	(238.7)	162.5
Debt	(120.1)	(130.1)	(10.0)
Equity	(281.0)	(108.6)	172.4
Mutual funds (Rs cr)	(5,373.4)	(578.0)	4,795.3
Debt	(4,902.9)	(2,667.6)	2,235.3
Equity	(470.5)	2,089.6	2,560.1

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 16 Dec and 17 Dec 2024

- Oil prices fell, driven by demand concerns in China and stronger US\$.

**Fig 7 – Commodities**

	18-12-2024	19-12-2024	% change
Brent crude (US\$/bbl)	73.4	72.9	(0.7)
Gold (US\$/ Troy Ounce)	2,585.4	2,594.0	0.3
Copper (US\$/ MT)	8,909.5	8,770.4	(1.6)
Zinc (US\$/MT)	2,968.5	2,942.1	(0.9)
Aluminium (US\$/MT)	2,528.5	2,507.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com