

MORNING MOCHA

24 December 2024

ECONOMIST
Aditi Gupta

US core capital goods orders, a proxy for business investment plans, rebounded strongly in Nov'24 and increased by 0.7%. This followed a 0.1% decline in Oct'24. New home sales also increased by 5.9% in Nov'24, after declining by 14.8% in Oct'24. However, Conference Board's consumer confidence index plunged to 104.7 in Dec'24 (est. 113.2) from 112.8 last month. In UK, GDP growth estimate for Q3 CY24 was revised to 0% from 0.1% estimated earlier. Even for Q2 CY24, growth estimate was revised to 0.4% from 0.5%, suggesting continued weakness in the economy. Minutes of BoJ's Oct'24 policy reflected that while the members remained positive on domestic economic conditions, they flagged risks to the outlook from external factors. In India, domestic liquidity remained tight due to advance tax payments, even as the RBI conducted VRR auctions to manage liquidity situation.

- Barring China, global indices ended higher. Nikkei rose the most amidst ongoing speculation over movement in JPY ahead of BoJ Governor's speech. Hang Seng and S&P 500 firmed up buoyed by a rally in technology stocks. Sensex was supported by gains in real estate and banking stocks. It is however, trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	20-12-2024	23-12-2024	Change, %
Dow Jones	42,840	42,907	0.2
S & P 500	5,931	5,974	0.7
FTSE	8,085	8,103	0.2
Nikkei	38,702	39,161	1.2
Hang Seng	19,721	19,883	0.8
Shanghai Comp	3,368	3,351	(0.5)
Sensex	78,042	78,540	0.6
Nifty	23,588	23,753	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended weaker. DXY rose by 0.4% to hover around a 2-year high as investors assess Fed's rate trajectory. JPY declined the most awaiting a rate hike by BoJ. GBP depreciated as UK's GDP growth stalled in Q3 CY24. INR depreciated to a fresh low of 85.12/\$ led by strong dollar demand from importers. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	20-12-2024	23-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0430	1.0405	(0.2)
GBP/USD (1 GBP / USD)	1.2570	1.2536	(0.3)
USD/JPY (JPY / 1 USD)	156.31	157.17	(0.5)
USD/INR (INR / 1 USD)	85.02	85.12	(0.1)
USD/CNY (CNY / 1 USD)	7.2954	7.2960	0

Source: Bloomberg, Bank of Baroda



- Except China and India, global yields closed higher. Portfolio realignment in favour of equity seems likely amidst an interplay of macro and political factors. This ranges from speculation of a stricter tariff regime to ongoing macro dynamics of growth and inflation. US 10Y yield rose the most. India's 10Y yield fell a tad and is trading higher at 6.78% today.

Fig 3 – Bond 10Y yield

	20-12-2024	23-12-2024	Change, bps
US	4.52	4.59	6
UK	4.51	4.55	4
Germany	2.29	2.32	4
Japan	1.06	1.08	1
China	1.72	1.71	(1)
India	6.79	6.77	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-12-2024	23-12-2024	change in bps
Tbill-91 days	6.47	6.44	(3)
Tbill-182 days	6.65	6.61	(4)
Tbill-364 days	6.64	6.60	(4)
G-Sec 2Y	6.73	6.72	(1)
India OIS-2M	6.67	6.66	(1)
India OIS-9M	6.57	6.53	(4)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-12-2024	23-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	2.4	0.8
Reverse Repo	0	0	0
Repo	2.0	2.3	0.3

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-12-2024	20-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	5.2	(51.3)	(56.5)
Debt	98.5	168.8	70.4
Equity	(93.2)	(220.1)	(126.9)
Mutual funds (Rs cr)	169.1	1,383.6	1,214.5
Debt	(2,608.2)	665.0	3,273.2
Equity	2,777.3	718.6	(2,058.7)

Source: Bloomberg, Bank of Baroda Research

- Oil prices ended marginally weaker on demand concerns amidst higher supply.

Fig 7 – Commodities

	20-12-2024	23-12-2024	% change
Brent crude (US\$/bbl)	72.9	72.6	(0.4)
Gold (US\$/ Troy Ounce)	2,622.9	2,612.6	(0.4)
Copper (US\$/ MT)	8,832.9	8,801.5	(0.4)
Zinc (US\$/MT)	2,949.7	2,967.1	0.6
Aluminium (US\$/MT)	2,534.5	2,527.0	(0.3)

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

+91 22 6698 5143

chief.economist@bankofbaroda.com