

MORNING MOCHA

16 December 2024

ECONOMIST
Sonal Badhan

Economic activity in China remains worrisome, as both consumption and investment demand fades. Retail sales in Nov'24 rose by 3% (weakest in 3 months and below 5% est.) following 4.8% growth in Oct'24. FAI growth also slowed to 3.3% in Jan-Nov'24 period, from 3.4% during Jan-Oct'24. China's property sector continues to act as a drag with property investment declining by (-) 10.4% versus (-) 10.3% during Jan-Oct'24. Government officials have recently indicated that they will follow a loose fiscal and monetary policy next year, and target for steady growth (likely 5% next year as well). More concrete measures are expected to be announced, once Trump administration takes charge in the US and announces tariffs. Investors also await latest economic projections by Fed to gauge how inflation risks are incorporated. Following 25bps rate cut this week, Fed is expected to remain on pause in Jan'25.

- Barring domestic indices, other global indices ended in red. European markets closed lower after disappointing data (UK's GDP and weakness Germany's export). Investors will turn their focus towards the upcoming Fed policy. Sensex closed higher supported by gains in IT and consumer durable stocks. It is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	12-12-2024	13-12-2024	Change, %
Dow Jones	43,914	43,828	(0.2)
S & P 500	6,051	6,051	0
FTSE	8,312	8,300	(0.1)
Nikkei	39,849	39,470	(1.0)
Hang Seng	20,397	19,971	(2.1)
Shanghai Comp	3,462	3,392	(2.0)
Sensex	81,290	82,133	1.0
Nifty	24,549	24,768	0.9

Source: Bloomberg, Bank of Baroda Research

- Except for the EUR and INR, other global currencies ended lower. Following expectations of a rate cut by the Fed, DXY closed lower. JPY weakened amidst investors scaling back rate hike expectations. INR strengthened, given easing inflation and recovery in equity markets. It is trading at similar levels today and Asian currencies are trading mixed.

Fig 2 – Currencies

	12-12-2024	13-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0468	1.0501	0.3
GBP/USD (1 GBP / USD)	1.2673	1.2619	(0.4)
USD/JPY (JPY / 1 USD)	152.63	153.65	(0.7)
USD/INR (INR / 1 USD)	84.87	84.80	0.1
USD/CNY (CNY / 1 USD)	7.2691	7.2736	(0.1)

Source: Bloomberg, Bank of Baroda



- Except Asia, 10Y yields elsewhere inched up. Yield in US rose the most (7bps), as investors expect a pause from Fed in Jan'25, following a rate cut this month. They also await information on new economic projections. In UK, analysts expect BoE to keep rate on hold, despite weakening growth. India's 10Y yield eased by 1bps, and is trading broadly unchanged even today (6.73%).

Fig 3 – Bond 10Y yield

	12-12-2024	13-12-2024	Change, bps
US	4.33	4.40	7
UK	4.36	4.41	5
Germany	2.21	2.26	5
Japan	1.05	1.04	(1)
China	1.82	1.78	(3)
India	6.74	6.73	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-12-2024	13-12-2024	change in bps
Tbill-91 days	6.43	6.45	2
Tbill-182 days	6.59	6.61	2
Tbill-364 days	6.55	6.57	2
G-Sec 2Y	6.64	6.67	3
India OIS-2M	6.62	6.62	0
India OIS-9M	6.44	6.44	0
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.62	4.62	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-12-2024	13-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.2)	0.3
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-12-2024	12-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	17.8	(952.1)	(969.9)
Debt	(5.1)	(532.2)	(527.1)
Equity	23.0	(419.9)	(442.8)
Mutual funds (Rs cr)	(4,834.7)	4,061.4	8,896.1
Debt	(5,829.7)	1,727.2	7,556.9
Equity	994.9	2,334.1	1,339.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 10 Dec and 11 Dec 2024

- Oil prices rose, due to supply concerns (possible sanctions on Russia and Iran).

Fig 7 – Commodities

	12-12-2024	13-12-2024	% change
Brent crude (US\$/bbl)	73.4	74.5	1.5
Gold (US\$/ Troy Ounce)	2,680.7	2,648.2	(1.2)
Copper (US\$/ MT)	8,972.6	8,940.5	(0.4)
Zinc (US\$/MT)	3,045.3	3,070.6	0.8
Aluminium (US\$/MT)	2,599.5	2,605.0	0.2

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