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 ECONOMIST
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In the US, treasury yields remained elevated as market adjusted for the potential inflationary impact of the policies that will be laid down by incoming Trump administration. These include stricter immigration norms, tariff hikes and easing fiscal policy. On the domestic front, RBI noted that states and UTs in Q4FY25 will borrow around Rs 4.7 lakh crore through government securities. RBI had previously noted that the states had made significant progress in maintaining gross fiscal deficit within 3% of GDP for 3-years in a row. For FY25, states have budgeted GFD at 3.2% of GDP against 2.9% for the previous year. Separately, the Government notified the interest rates for Q4FY25 will remain unchanged for small saving schemes which includes NSC, PPF amongst others.

- Global indices ended mixed. US indices ended in red amidst thin trading volumes. Global stocks remained subdued due to elevated treasury yields. Shanghai Comp slipped after muted manufacturing PMI data. Sensex declined marginally with losses in real estate stocks. However, it is trading higher today, other Asian indices are trading mixed.

Fig 1 – Stock markets

	30-12-2024	31-12-2024	Change, %
Dow Jones	42,574	42,544	(0.1)
S & P 500	5,907	5,882	(0.4)
FTSE	8,121	8,173	0.6
Nikkei	40,281	39,895	(1.0)
Hang Seng	20,041	20,060	0.1
Shanghai Comp	3,407	3,352	(1.6)
Sensex	78,248	78,139	(0.1)
Nifty	23,645	23,645	0

Source: Bloomberg, Bank of Baroda Research | Note: Market in Japan was closed on 31 Dec 2024

- Global currencies ended lower. DXY rose by 0.3% as treasury yields inched up. Stronger than expected economic momentum in the US on the consumption side is adding to fears of higher for longer rates by Fed. INR fell by 0.1% and has declined by (-) 2.8% during CY24. It is trading even lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	30-12-2024	31-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0407	1.0354	(0.5)
GBP/USD (1 GBP / USD)	1.2550	1.2516	(0.3)
USD/JPY (JPY / 1 USD)	156.84	157.20	(0.2)
USD/INR (INR / 1 USD)	85.54	85.61	(0.1)
USD/CNY (CNY / 1 USD)	7.2993	7.2993	0

Source: Bloomberg, Bank of Baroda



- Global 10Y yields closed mixed. While US 10Y yield rose by 4bps, it was down in UK and China. Mixed macro data from the US (weak manufacturing PMI and strong services PMI) is sending conflicting signals to markets. In UK, there are increased risks to growth if US imposes tariffs. India's 10Y yield fell a tad by 1bps. However, tracking global cues, today it is trading higher at 6.78%.

Fig 3 – Bond 10Y yield

	30-12-2024	31-12-2024	Change, bps
US	4.53	4.57	4
UK	4.61	4.57	(4)
Germany	2.37	2.37	0
Japan	1.10	1.10	0
China	1.71	1.68	(4)
India	6.77	6.76	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Market in Germany and Japan were closed on 31 Dec 2024

Fig 4 – Short term rates

	30-12-2024	31-12-2024	change in bps
Tbill-91 days	6.54	6.54	0
Tbill-182 days	6.63	6.68	5
Tbill-364 days	6.62	6.68	6
G-Sec 2Y	6.73	6.72	(1)
India OIS-2M	6.66	6.66	0
India OIS-9M	6.54	6.53	(1)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.46	4.37	(9)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-12-2024	31-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.1	1.3	(0.8)
Reverse Repo	0	0	0
Repo	2.1	2.1	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-12-2024	30-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(140.2)	(170.7)	(30.4)
Debt	(183.5)	16.4	199.9
Equity	43.3	(187.1)	(230.3)
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 | Note: Mutual Funds data as of 19 Dec and 20 Dec 2024

- Oil prices rose further amidst expectation of improvement in demand.

Fig 7 – Commodities

	30-12-2024	31-12-2024	% change
Brent crude (US\$/bbl)	74.4	74.6	0.3
Gold (US\$/ Troy Ounce)	2,606.5	2,624.5	0.7
Copper (US\$/ MT)	8,794.9	8,652.7	(1.6)
Zinc (US\$/MT)	2,997.8	2,953.9	(1.5)
Aluminium (US\$/MT)	2,551.0	2,551.5	0

Source: Bloomberg, Bank of Baroda Research



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