

US ISM manufacturing PMI rose to 49.3 in Dec'24 (48.4 in Nov'24), just shy of the 50-mark. This has raised hopes of a recovery in manufacturing activity in the country. Fed officials advocated a cautious approach to further rate cuts, noting risks to inflation. This suggests only shallow rate cuts in 2025 which is likely to keep the dollar stronger. However, US jobs report due this week is expected to have a strong bearing on the rate trajectory. In the UK, a slowdown in consumer credit raised fresh concerns over the growth outlook. In the week ahead, focus will be on inflation figures from China and Eurozone and global services PMI. In India, focus will be on the first advance estimates for FY25 GDP.

- Except US and Hong Kong, stocks elsewhere closed lower. Higher than expected US ISM manufacturing buoyed investor sentiments. Tech stocks rallied. FTSE was dragged by industrial mining sector, as stronger US\$ is affecting prices of base metals. In India, Sensex ended in red, led by losses in tech, banking and capital good stocks. It is trading higher today, while Asian markets are trading mixed.

**Fig 1 – Stock markets**

	02-01-2025	03-01-2025	Change, %
Dow Jones	42,392	42,732	0.8
S & P 500	5,869	5,942	1.3
FTSE	8,260	8,224	(0.4)
Nikkei	40,281	39,895	(1.0)
Hang Seng	19,623	19,760	0.7
Shanghai Comp	3,263	3,211	(1.6)
Sensex	79,944	79,223	(0.9)
Nifty	24,189	24,005	(0.8)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan remain closed since 30 Dec 2024

- Global currencies recouped some losses as the dollar eased. DXY fell 0.4% from a 2-year high. EUR and GBP gained the most. CNY however depreciated amidst weak economic outlook. INR touched a fresh record low for the 4th straight session. It is trading further weaker today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	02-01-2025	03-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0265	1.0308	0.4
GBP/USD (1 GBP / USD)	1.2380	1.2423	0.3
USD/JPY (JPY / 1 USD)	157.50	157.26	0.2
USD/INR (INR / 1 USD)	85.76	85.78	0
USD/CNY (CNY / 1 USD)	7.2994	7.3215	(0.3)

Source: Bloomberg, Bank of Baroda | Note: Markets in Japan remain closed since 30 Dec 2024



- Global 10Y yields closed mixed. 10Y yield in Germany and US rose the most. Slowdown in the pace of contraction of manufacturing sector in the US and rise in input prices impacted investor sentiments. In Germany, less than expected increase unemployment levels, guided yields. India's 10Y yield fell a tad by 1bps, even as oil prices climbed higher. It is trading at 6.79% today.

**Fig 3 – Bond 10Y yield**

	02-01-2025	03-01-2025	Change, bps
US	4.56	4.60	4
UK	4.60	4.59	0
Germany	2.38	2.43	5
Japan	1.13	1.10	(2)
China	1.62	1.62	0
India	6.79	6.78	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan remain closed since 30 Dec 2024

**Fig 4 – Short term rates**

	02-01-2025	03-01-2025	change in bps
Tbill-91 days	6.58	6.52	(6)
Tbill-182 days	6.67	6.67	0
Tbill-364 days	6.67	6.64	(3)
G-Sec 2Y	6.72	6.71	(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	4.49	4.40	(9)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	02-01-2025	03-01-2025	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.7	0.4	(0.3)
Reverse Repo	0	0	0
Repo	2.1	1.3	(0.8)

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	01-01-2025	02-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(79.4)	275.7	355.0
Debt	(9.7)	81.7	91.4
Equity	(69.7)	193.9	263.6
Mutual funds (Rs cr)	5,972.9	168.0	(5,804.9)
Debt	3,065.9	(1,258.8)	(4,324.6)
Equity	2,907.0	1,426.7	(1,480.2)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Funds data as of 31 Dec 2024 and 01 Jan 2025

- Oil prices increased amidst a seasonal uptick in demand.

**Fig 7 – Commodities**

	02-01-2025	03-01-2025	% change
Brent crude (US\$/bbl)	75.9	76.5	0.8
Gold (US\$/ Troy Ounce)	2,657.9	2,640.2	(0.7)
Copper (US\$/ MT)	8,691.7	8,768.0	0.9
Zinc (US\$/MT)	2,900.9	2,859.7	(1.4)
Aluminium (US\$/MT)	2,529.0	2,493.5	(1.4)

Source: Bloomberg, Bank of Baroda Research



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