

MORNING MOCHA

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Amidst US President-elect Trump's tariff policy uncertainty, China's exports have hit record high, as they rose by 10.7% (est.: 7.3%) in Dec'24, up from 6.7% in Nov'24. This was mainly on account of front-loading of orders by importers before tariffs are announced, and weaker Yuan. Imports also rose by 1% (highest growth since Jul'24) versus est.: (-) 1.5% decline, as China took advantage of lower commodity prices (copper, iron ore). However, this momentum is unlikely to sustain if steep tariffs are announced on Chinese products. Not only US has threatened China with tariffs, but Eurozone has also raised tariffs on Chinese vehicles to 45.3%. Markets now await remarks by various Fed officials this week, along other data sets such as, US CPI, UK GDP, ECB minutes, China's retail sales/industrial production/FAI/GDP data. This will decide their respective central bank's rate cut trajectory in the near-term.

- Barring US indices, other global indices ended lower. Investors monitored elevated global yields and firmer US dollar. Investors have also scaled back expectation of rate cut by US Fed in CY25. Sensex dropped by more than 1000 points due to subdued global cues with sharp losses in real estate and power stocks. However, it is trading higher today, in line with other Asian indices.

Fig 1 – Stock markets

	10-01-2025	13-01-2025	Change, %
Dow Jones	41,938	42,297	0.9
S & P 500	5,827	5,836	0.2
FTSE	8,248	8,224	(0.3)
Nikkei	39,605	39,190	(1.0)
Hang Seng	19,064	18,874	(1.0)
Shanghai Comp	3,169	3,161	(0.2)
Sensex	77,379	76,330	(1.4)
Nifty	23,432	23,086	(1.5)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 13 Jan 2025

- Global currencies ended mixed. Dollar index climbed up to a 2-year high amidst solid jobs report and ahead of the key CPI print. INR depreciated to a record low breaching the 86/\$ mark amidst stronger greenback and higher oil prices. It is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	10-01-2025	13-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0244	1.0245	0
GBP/USD (1 GBP / USD)	1.2207	1.2202	0
USD/JPY (JPY / 1 USD)	158.14	157.73	0.3
USD/INR (INR / 1 USD)	85.97	86.58	(0.7)
USD/CNY (CNY / 1 USD)	7.3326	7.3319	0

Source: Bloomberg, Bank of Baroda | Note: Markets in Japan were closed on 13 Jan 2025



- Major global 10Y yields inched up. US10Y yield was up by 2bps, as investors are now pricing in even fewer rate cuts by Fed this year. In UK, investors are re-assessing economy's growth prospects, higher government borrowings. India's 10Y yield rose sharply by 8bps, tracking steep rise in oil prices. However, today it is trading a tad lower at 6.84%.

Fig 3 – Bond 10Y yield

	10-01-2025	13-01-2025	Change, %
US	4.76	4.78	2
UK	4.84	4.89	5
Germany	2.60	2.61	2
Japan	1.18	1.20	2
China	1.65	1.66	0
India	6.77	6.85	8

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 13 Jan 2025

Fig 4 – Short term rates

	10-01-2025	13-01-2025	Change, %
Tbill-91 days	6.59	6.59	0
Tbill-182 days	6.64	6.67	3
Tbill-364 days	6.63	6.69	6
G-Sec 2Y	6.69	6.70	1
India OIS-2M	6.70	6.73	3
India OIS-9M	6.52	6.63	11
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	10-01-2025	13-01-2025	Change, %
Net Liquidity (-Surplus/+deficit)	2.3	2.5	0.2
Reverse Repo	0	0	0
Repo	0	2.8	2.8

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	09-01-2025	10-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(897.2)	(125.0)	772.3
Debt	(78.7)	40.5	119.3
Equity	(818.5)	(165.5)	653.0
Mutual funds (Rs cr)	778.5	3,638.2	2,859.7
Debt	(836.7)	(1,459.4)	(622.7)
Equity	1,615.2	5,097.6	3,482.4

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 8 and 9 Jan 2025

- Oil prices surpassed US\$ 80/bbl mark, as supply concerns (Iran, Russia) linger.

Fig 7 – Commodities

	10-01-2025	13-01-2025	Change, %
Brent crude (US\$/bbl)	79.8	81.0	1.6
Gold (US\$/ Troy Ounce)	2,689.8	2,663.2	(1.0)
Copper (US\$/ MT)	8,991.9	8,978.8	(0.1)
Zinc (US\$/MT)	2,831.9	2,822.6	(0.3)
Aluminium (US\$/MT)	2,571.5	2,578.5	0.3

Source: Bloomberg, Bank of Baroda Research



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