

MORNING MOCHA

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Following softening core inflation in Dec'24 in the US, now labour market data is pointing towards a weaker momentum. Initial jobless claims for the week ending 11 Jan rose by 14k from last week to 217k. However, in the beige book released by Fed, the central bank has cautioned that labour market is showing an uptick as layoffs are rare, and inflationary pressures remain. Markets are thus pricing in 2 rate cuts in CY25. In the UK, GDP rose by 0.1% (est.: 0.2%) in Nov'24, following (-) 0.1% decline in Oct'24. However, stagflation concerns continue to persist. In China, Q4 GDP sprinted towards 5.4% growth (est.: 5%), up from 4.6% in Q3, helped by government's stimulus measures. CY24 GDP rose by 5%, meeting the official target. Retail sales also surpassed (3.7% in Dec'24) expectations (3.5%). FAI in CY24 rose by 3.2% (est.: 3.3%), dragged by (-) 10.6% decline in real estate investment.

- Except US stocks, global indices ended higher. Better than expected corporate earnings in Q4 boosted sentiments. Hang Seng rose the most, amidst expectation of revival of growth in China. US stocks were impacted on account of realigning of expectation surrounding next Fed rate cut. Sensex inched up. However, it is trading lower today while Asian stocks are trading mixed.

Fig 1 – Stock markets

| | 15-01-2025 | 16-01-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 43,222 | 43,153 | (0.2) |
| S & P 500 | 5,950 | 5,937 | (0.2) |
| FTSE | 8,301 | 8,392 | 1.1 |
| Nikkei | 38,445 | 38,573 | 0.3 |
| Hang Seng | 19,286 | 19,523 | 1.2 |
| Shanghai Comp | 3,227 | 3,236 | 0.3 |
| Sensex | 76,724 | 77,043 | 0.4 |
| Nifty | 23,213 | 23,312 | 0.4 |

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. Dollar index weakened by 0.1% as softer core inflation, higher than expected jobless claims reinforced the case of Jun'25 rate cut by Fed. Yen strengthened further, as analysts believe that there is 80% chance of rate hike by BoJ next week. INR fell, even as US\$ weakened. It is trading broadly steady today, while other Asian currencies are trading higher.

Fig 2 – Currencies

| | 15-01-2025 | 16-01-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.0289 | 1.0301 | 0.1 |
| GBP/USD (1 GBP / USD) | 1.2242 | 1.2239 | 0 |
| USD/JPY (JPY / 1 USD) | 156.47 | 155.16 | 0.8 |
| USD/INR (INR / 1 USD) | 86.36 | 86.55 | (0.2) |
| USD/CNY (CNY / 1 USD) | 7.3319 | 7.3316 | 0 |

Source: Bloomberg, Bank of Baroda Research



- Global yields broadly closed lower. UK and Japan's 10Y yield fell the most. For the former, softening growth numbers came into play and for the latter, interest rate differential with the US was the primary factor. Even US 10Y yield fell tracking dovish comments of Fed official. India's 10Y yield fell sharply amidst RBI's announcement of daily VRR. It is trading at the same level today.

Fig 3 – Bond 10Y yield

| | 15-01-2025 | 16-01-2025 | Change, % |
|---------|------------|------------|-----------|
| US | 4.65 | 4.61 | (4) |
| UK | 4.73 | 4.68 | (5) |
| Germany | 2.56 | 2.55 | (1) |
| Japan | 1.26 | 1.21 | (5) |
| China | 1.63 | 1.65 | 1 |
| India | 6.81 | 6.75 | (7) |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 15-01-2025 | 16-01-2025 | Change, % |
|--------------------------|------------|------------|-----------|
| Tbill-91 days | 6.60 | 6.57 | (3) |
| Tbill-182 days | 6.69 | 6.63 | (6) |
| Tbill-364 days | 6.69 | 6.66 | (3) |
| G-Sec 2Y | 6.72 | 6.67 | (5) |
| India OIS-2M | 6.65 | 6.59 | (6) |
| India OIS-9M | 6.53 | 6.46 | (7) |
| SONIA int rate benchmark | 4.70 | 4.70 | 0 |
| US SOFR | 4.28 | 4.28 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 15-01-2025 | 16-01-2025 | Change, % |
|-----------------------------------|------------|------------|-----------|
| Net Liquidity (-Surplus/+deficit) | 2.2 | 2.2 | 0 |
| Reverse Repo | 0 | 0 | 0 |
| Repo | 2.8 | 2.8 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 14-01-2025 | 15-01-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (921.9) | (510.9) | 411.0 |
| Debt | (24.6) | (2.6) | 22.0 |
| Equity | (897.3) | (508.3) | 389.0 |
| Mutual funds (Rs cr) | 3,506.9 | 4,819.6 | 1,312.7 |
| Debt | (665.9) | (1,947.5) | (1,281.6) |
| Equity | 4,172.8 | 6,767.1 | 2,594.3 |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 10 and 13 Jan 2025

- Oil prices slipped, following the news of Israel-Gaza ceasefire deal.

Fig 7 – Commodities

| | 15-01-2025 | 16-01-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 82.0 | 81.3 | (0.9) |
| Gold (US\$/ Troy Ounce) | 2,696.3 | 2,714.3 | 0.7 |
| Copper (US\$/ MT) | 9,053.4 | 9,123.1 | 0.8 |
| Zinc (US\$/MT) | 2,823.6 | 2,837.0 | 0.5 |
| Aluminium (US\$/MT) | 2,601.5 | 2,636.5 | 1.3 |

Source: Bloomberg, Bank of Baroda Research



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