

MORNING MOCHA

24 January 2025

 ECONOMIST
 Dipanwita Mazumdar

Global markets monitored US President's comments at Davos which hinted at softer policy on tariffs, going ahead. This supported equity indices and gave a breather to currency market. In fact, some comments were also hinted towards a softer monetary regime. Elsewhere in Japan, BoJ hiked rates by another 25bps, in line with expectations. The current core CPI forecast has been revised upward to 2.7% (2.5% earlier) and GDP forecast has been marginally toned down to 0.5%. Remaining in sync, even the Dec'24 national CPI and core CPI (excl. fresh food & energy) remained sticky at 3.6% and 2.4% respectively. In Singapore, central bank for the first time in past 5 years eased monetary policy setting, amidst expectation of growth slowdown and retreating price pressure. Amongst other macro releases have been US jobless claims which showed some momentum. On domestic front, Union Budget holds the key, as focus will be on quality spending with adherence to fiscal discipline.

- Except Hong Kong, global stocks elsewhere closed higher. US stocks led the increase, with the S&P 500 closing at a record high after the US President batted for lower rates and indicated a softer stance on tariffs. Sensex rose by 0.2%, led by gains in consumer durables and real estate stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	22-01-2025	23-01-2025	Change, %
Dow Jones	44,157	44,565	0.9
S & P 500	6,086	6,119	0.5
FTSE	8,545	8,565	0.2
Nikkei	39,646	39,959	0.8
Hang Seng	19,779	19,701	(0.4)
Shanghai Comp	3,214	3,230	0.5
Sensex	76,405	76,520	0.2
Nifty	23,155	23,205	0.2

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies ended stronger. DXY fell 0.1% tracking comments by US President regarding lower rates. EUR appreciated by 0.1% as consumer confidence in the Euro Area improved marginally. INR ended weaker. However, it is trading stronger today, in line with its Asian peers.

Fig 2 – Currencies

	22-01-2025	23-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0409	1.0415	0.1
GBP/USD (1 GBP / USD)	1.2316	1.2353	0.3
USD/JPY (JPY / 1 USD)	156.53	156.05	0.3
USD/INR (INR / 1 USD)	86.33	86.47	(0.2)
USD/CNY (CNY / 1 USD)	7.2762	7.2862	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed broadly higher. US 10Y yield has risen albeit rising jobless claims data. Germany's 10Y yield inched up on account of flagging of uncertain inflation trajectory by some ECB officials. India's 10Y yield closed a tad higher monitoring VRR auctions and buyback results. It is trading at 6.71%, today.

Fig 3 – Bond 10Y yield

	22-01-2025	23-01-2025	Change, %
US	4.61	4.64	3
UK	4.63	4.64	0
Germany	2.53	2.55	2
Japan	1.20	1.21	1
China	1.66	1.66	0
India	6.72	6.73	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-01-2025	23-01-2025	Change, %
Tbill-91 days	6.60	6.59	(1)
Tbill-182 days	6.69	6.67	(2)
Tbill-364 days	6.67	6.61	(6)
G-Sec 2Y	6.64	6.64	(0)
India OIS-2M	6.55	6.54	(1)
India OIS-9M	6.42	6.41	(0)
SONIA int rate benchmark	4.70	4.70	-
US SOFR	4.29	4.30	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-01-2025	23-01-2025	Change, %
Net Liquidity (-deficit/+surplus)	(2.9)	(3.2)	(0.3)
Reverse Repo	0	0	0
Repo	2.3	2.3	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-01-2025	22-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(710.0)	(250.0)	460.0
Debt	21.5	98.7	77.2
Equity	(731.4)	(348.6)	382.8
Mutual funds (Rs cr)	163.9	(1,235.9)	(1,399.7)
Debt	(2,978.9)	(2,914.1)	64.8
Equity	3,142.8	1,678.2	(1,464.6)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 20 and 21 Jan 2025

- Oil prices fell further as the US President maintained his stance on lower prices.

Fig 7 – Commodities

	22-01-2025	23-01-2025	Change, %
Brent crude (US\$/bbl)	79.0	78.3	(0.9)
Gold (US\$/ Troy Ounce)	2,756.5	2,754.9	(0.1)
Copper (US\$/ MT)	9,105.5	9,117.8	0.1
Zinc (US\$/MT)	2,856.1	2,801.6	(1.9)
Aluminium (US\$/MT)	2,634.0	2,623.5	(0.4)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com