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In line with market expectations, US Fed held rates unchanged at 4.25-4.5%. The central bank in its statement highlighted that “in the labour market, conditions remain solid” and “following weakness in the middle of last year, activity in the housing sector seems to have stabilized”. It even clarified that “if the economy remains strong and inflation does not continue to move sustainably toward 2%, we can maintain policy restraint for longer”. Analyst are now pricing steady rates until Jun’25, as they await more clarity on US tariffs on Canada and Mexico. Latest trade data indicates that US trade deficit surged to US\$ 122.1bn in Dec’24 (highest since 1992), led by 3.9% increase in imports and 4.5% decline in exports. Today, ECB is also set to announce its rate decision. A 25bps rate cut is expected to support growth in the Eurozone (Germany’s GDP is expected to contract by (-) 0.1% in Q4CY24).

- Barring US, other global indices ended higher as investors monitored Fed’s rate decision. The Fed Governor stated they are ‘not in hurry to adjust stance’ and monetary policy is ‘well positioned’. FTSE inched up with gains in technology stocks. Sensex extended its gains led by a rally in real estate and capital goods stocks. However, it is trading lower today.

Fig 1 – Stock markets

| | 28-01-2025 | 29-01-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 44,850 | 44,714 | (0.3) |
| S & P 500 | 6,068 | 6,039 | (0.5) |
| FTSE | 8,534 | 8,558 | 0.3 |
| Nikkei | 39,017 | 39,415 | 1.0 |
| Hang Seng | 20,198 | 20,225 | 0.1 |
| Shanghai Comp | 3,253 | 3,251 | (0.1) |
| Sensex | 75,901 | 76,533 | 0.8 |
| Nifty | 22,957 | 23,163 | 0.9 |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China remain closed since 28 Jan 2025

- Global currencies ended mixed. DXY continued to firm up, after Fed kept rates unchanged in a unanimous decision. Investors also await clarity on the impact of policies by US President. JPY strengthened given the growing likelihood of more rate hikes by BoJ. INR ended flat amidst dip in oil prices, and is trading weaker today.

Fig 2 – Currencies

| | 28-01-2025 | 29-01-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.0430 | 1.0421 | (0.1) |
| GBP/USD (1 GBP / USD) | 1.2443 | 1.2452 | 0.1 |
| USD/JPY (JPY / 1 USD) | 155.54 | 155.22 | 0.2 |
| USD/INR (INR / 1 USD) | 86.53 | 86.56 | 0 |
| USD/CNY (CNY / 1 USD) | 7.2411 | 7.2446 | 0 |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China remain closed since 28 Jan 2025



- Global yields closed mixed. US 10Y yield ended flat, as investors digested slightly hawkish Fed policy. Yields in Europe remained elevated as US tariff threat continues to loom. India's 10Y yield closed flat, even as oil prices fell. However, following global cues, and awaiting Union Budget announcement, it is trading slightly lower today at 6.68%.

Fig 3 – Bond 10Y yield

| | 28-01-2025 | 29-01-2025 | Change, bps |
|---------|------------|------------|-------------|
| US | 4.53 | 4.53 | 0 |
| UK | 4.61 | 4.62 | 1 |
| Germany | 2.57 | 2.58 | 2 |
| Japan | 1.20 | 1.20 | 0 |
| China | 1.66 | 1.63 | (3) |
| India | 6.69 | 6.69 | 0 |

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China remain closed since 28 Jan 2025

Fig 4 – Short term rates

| | 28-01-2025 | 29-01-2025 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days | 6.55 | 6.55 | 0 |
| Tbill-182 days | 6.63 | 6.65 | 2 |
| Tbill-364 days | 6.61 | 6.63 | 2 |
| G-Sec 2Y | 6.60 | 6.61 | 0 |
| India OIS-2M | 6.53 | 6.52 | (1) |
| India OIS-9M | 6.36 | 6.36 | 0 |
| SONIA int rate benchmark | 4.70 | 4.70 | 0 |
| US SOFR | 4.34 | 4.35 | 1 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 28-01-2025 | 29-01-2025 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | (2.5) | (2.6) | (0.1) |
| Reverse Repo | 0 | 0 | 0 |
| Repo | 1.6 | 1.6 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 27-01-2025 | 28-01-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (237.7) | (62.9) | 174.8 |
| Debt | 284.7 | 277.0 | (7.8) |
| Equity | (522.4) | (339.8) | 182.5 |
| Mutual funds (Rs cr) | (3,144.8) | 799.6 | 3,944.4 |
| Debt | (4,777.8) | (3,888.1) | 889.7 |
| Equity | 1,633.0 | 4,687.7 | 3,054.6 |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 24 and 27 Jan 2025

- Oil prices fell, led by higher US inventories and easing Libyan supply concerns.

Fig 7 – Commodities

| | 28-01-2025 | 29-01-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 77.5 | 76.6 | (1.2) |
| Gold (US\$/ Troy Ounce) | 2,763.5 | 2,759.4 | (0.2) |
| Copper (US\$/ MT) | 8,861.3 | 8,943.8 | 0.9 |
| Zinc (US\$/MT) | 2,724.5 | 2,732.2 | 0.3 |
| Aluminium (US\$/MT) | 2,572.5 | 2,619.5 | 1.8 |

Source: Bloomberg, Bank of Baroda Research



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