

MORNING MOCHA

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 ECONOMIST
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Both BoJ and US Fed are scheduled to announce their respective policy decisions later this month. It is almost certain (~97% chance as CME Fed WatchTool) that Fed will keep rates on hold, even as US PPI has come in lower (0.2% in Dec'24 versus 0.4% in Nov'24) than expected (0.3%). This is most likely due to seasonal effects. In case of BoJ, some analysts are expecting rates to be on hold, while others are expecting a rate hike, as the central bank presents its new inflationary forecasts, and takes into account developments post President-elect Trump's swearing in. Japan recently posted a current account surplus of 3.35tn Yen in Nov'24, supported by goods trade surplus of 97.9bn Yen (683.3bn Yen deficit in Nov'23), driven by weaker currency. India's WPI growth shows price pressures going up, given sticky food inflation and slower deceleration in fuel and manufactured product inflation.

- Barring FTSE and Nikkei, other global indices ended higher. US indices closed in green after softer than expected PPI and awaited the earnings report. Both Hang Seng and Shanghai Comp advanced amidst news report of US tariff relief talks. Sensex rebounded supported by a rally in global stocks, easing inflation and strong IIP data. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	13-01-2025	14-01-2025	Change, %
Dow Jones	42,297	42,518	0.5
S & P 500	5,836	5,843	0.1
FTSE	8,224	8,202	(0.3)
Nikkei	39,190	38,474	(1.8)
Hang Seng	18,874	19,220	1.8
Shanghai Comp	3,161	3,241	2.5
Sensex	76,330	76,500	0.2
Nifty	23,086	23,176	0.4

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

- Global currencies ended mixed. Dollar index retreated from a 2-year high given the news of gradual tariff imposition by US and ahead of CPI data. INR remained under pressure as it depreciated further (steepest fall in over 2-years) given FPI outflows. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	13-01-2025	14-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0245	1.0308	0.6
GBP/USD (1 GBP / USD)	1.2202	1.2215	0.1
USD/JPY (JPY / 1 USD)	157.73	157.96	(0.1)
USD/INR (INR / 1 USD)	86.58	86.65	(0.1)
USD/CNY (CNY / 1 USD)	7.3319	7.3311	0

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



- Global 10Y yields closed mixed. US10Y yield rose a tad by 1bps, even after muted PPI print. Japan's 10Y yield rose by 4bps, to reach its highest since Apr'11. At the longer-end (40Y), the rise was even steeper. BoJ is expected to hike rates in the coming months. India's 10Y yield fell by 3bps, tracking decline in oil prices. It is trading further lower today at 6.81%.

Fig 3 – Bond 10Y yield

	13-01-2025	14-01-2025	Change, %
US	4.78	4.79	1
UK	4.89	4.89	0
Germany	2.61	2.65	4
Japan	1.20	1.25	4
China	1.66	1.64	(1)
India	6.85	6.82	(3)

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

Fig 4 – Short term rates

	13-01-2025	14-01-2025	Change, %
Tbill-91 days	6.59	6.59	0
Tbill-182 days	6.67	6.68	1
Tbill-364 days	6.69	6.69	0
G-Sec 2Y	6.70	6.74	4
India OIS-2M	6.73	6.69	(4)
India OIS-9M	6.63	6.59	(4)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.30	4.29	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	13-01-2025	14-01-2025	Change, %
Net Liquidity (-Surplus/+deficit)	2.5	2.1	(0.4)
Reverse Repo	0	0	0
Repo	2.8	2.8	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-01-2025	13-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(125.0)	(432.4)	(307.4)
Debt	40.5	62.4	21.9
Equity	(165.5)	(494.8)	(329.3)
Mutual funds (Rs cr)	3,638.2	3,506.9	(131.3)
Debt	(1,459.4)	(665.9)	793.5
Equity	5,097.6	4,172.8	(924.8)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 9 and 10 Jan 2025

- Oil prices fell, as US EIA expects steady demand and rise in output in CY25.

Fig 7 – Commodities

	13-01-2025	14-01-2025	Change, %
Brent crude (US\$/bbl)	81.0	79.9	(1.3)
Gold (US\$/ Troy Ounce)	2,663.2	2,677.5	0.5
Copper (US\$/ MT)	8,978.8	9,033.7	0.6
Zinc (US\$/MT)	2,822.6	2,818.3	(0.2)
Aluminium (US\$/MT)	2,578.5	2,560.0	(0.7)

Source: Bloomberg, Bank of Baroda Research



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