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UK and US CPI prints for Dec'24 have provided much need relief to the bond markets. US retail inflation rose by 2.9% (in line with estimates) in Dec'24, from 2.7% in Nov'24. Core CPI eased to 3.2% from 3.3% earlier. The upside pressure was on account of energy and food prices. Services inflation was stable. Thus, investors have brought forward their expectation of rate cut by Fed from Sep'25 to Jun'25. In the UK, CPI eased to 2.5% in Dec'24 (est.: 2.6%) from 2.6% in Nov'24. Notably, services inflation softened to 4.4% from 5%, raising hopes of a 25bps rate cut by BoE in Feb'25. The central bank is expected to lower rates 4 times this year. In India, exports fell by (-) 1% in Dec'24, recording slower pace of contraction from last month, and imports rose by 4.9% (lower than last month), leading to narrowing of trade deficit to US\$ 21.9bn.

- Barring Shanghai Comp and Nikkei, other global indices ended higher. US indices rose, led by softer than expected core inflation. FTSE too rallied as inflation cooled off in UK, pushing the rate cut expectation further. Sensex rose by 0.3% tracking global markets with strong gains noted in power and real estate stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

| | 14-01-2025 | 15-01-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 42,518 | 43,222 | 1.7 |
| S & P 500 | 5,843 | 5,950 | 1.8 |
| FTSE | 8,202 | 8,301 | 1.2 |
| Nikkei | 38,474 | 38,445 | (0.1) |
| Hang Seng | 19,220 | 19,286 | 0.3 |
| Shanghai Comp | 3,241 | 3,227 | (0.4) |
| Sensex | 76,500 | 76,724 | 0.3 |
| Nifty | 23,176 | 23,213 | 0.2 |

Source: Bloomberg, Bank of Baroda Research

- Except CNY (flat) and EUR (lower), other global currencies ended higher. Dollar index weakened by 0.2% after cooler than expected inflation print. Yen strengthened amidst hawkish commentary by BoJ Governor. INR recovered given the weakness in dollar. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 14-01-2025 | 15-01-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.0308 | 1.0289 | (0.2) |
| GBP/USD (1 GBP / USD) | 1.2215 | 1.2242 | 0.2 |
| USD/JPY (JPY / 1 USD) | 157.96 | 156.47 | 1.0 |
| USD/INR (INR / 1 USD) | 86.65 | 86.36 | 0.3 |
| USD/CNY (CNY / 1 USD) | 7.3311 | 7.3319 | 0 |

Source: Bloomberg, Bank of Baroda Research



- Except Japan (higher), other global yields declined. US and UK 10Y yields fell most sharply, supported by positive inflation news. Investors now expect a Fed rate cut in Jun'25 versus Sep'25 earlier. BoE is expected to cut 4 times in CY25, to support growth. India's 10Y yield fell by 1bps and is trading even lower today at 6.78%, tracking global cues.

Fig 3 – Bond 10Y yield

| | 14-01-2025 | 15-01-2025 | Change, % |
|---------|------------|------------|-----------|
| US | 4.79 | 4.65 | (14) |
| UK | 4.89 | 4.73 | (16) |
| Germany | 2.65 | 2.56 | (9) |
| Japan | 1.25 | 1.26 | 1 |
| China | 1.64 | 1.63 | (1) |
| India | 6.82 | 6.81 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 14-01-2025 | 15-01-2025 | Change, % |
|--------------------------|------------|------------|-----------|
| Tbill-91 days | 6.59 | 6.60 | 1 |
| Tbill-182 days | 6.68 | 6.69 | 1 |
| Tbill-364 days | 6.69 | 6.69 | 0 |
| G-Sec 2Y | 6.74 | 6.72 | (2) |
| India OIS-2M | 6.69 | 6.65 | (4) |
| India OIS-9M | 6.59 | 6.53 | (5) |
| SONIA int rate benchmark | 4.70 | 4.70 | 0 |
| US SOFR | 4.29 | 4.28 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 14-01-2025 | 15-01-2025 | Change, % |
|-----------------------------------|------------|------------|-----------|
| Net Liquidity (-Surplus/+deficit) | 2.1 | 2.2 | 0.1 |
| Reverse Repo | 0 | 0 | 0 |
| Repo | 2.8 | 2.8 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 13-01-2025 | 14-01-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (432.4) | (921.9) | (489.5) |
| Debt | 62.4 | (24.6) | (86.9) |
| Equity | (494.8) | (897.3) | (402.6) |
| 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 jumped, supported by sharp decline in US crude inventories.

Fig 7 – Commodities

| | 14-01-2025 | 15-01-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 79.9 | 82.0 | 2.6 |
| Gold (US\$/ Troy Ounce) | 2,677.5 | 2,696.3 | 0.7 |
| Copper (US\$/ MT) | 9,033.7 | 9,053.4 | 0.2 |
| Zinc (US\$/MT) | 2,818.3 | 2,823.6 | 0.2 |
| Aluminium (US\$/MT) | 2,560.0 | 2,601.5 | 1.6 |

Source: Bloomberg, Bank of Baroda Research



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