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Global markets kept a hawk eye on future developments in US polices under the new administration. US President spoke of a 10% tariff on China. Thus, market is slowly pricing in expectation of concrete tariff moves, going ahead. Gold rose to its highest since 31 Oct 2024. Yields of major economies softened amidst risk off sentiment. Equity markets got support as optimism surrounding higher AI spending under President Donald Trump outweighed tariff fears. Elsewhere, on the sidelines of World Economic Forum, ECB official remained dovish and spoke of nearing its inflation target. Amidst major macro releases were Germany's ZEW Survey expectation data which showed some moderation. In UK, unemployment rate firmed up albeit some stickiness in average weekly earnings. On domestic front, the trifecta of liquidity, currency and bonds remain closely watchable.

- Except India and China, global markets elsewhere found respite from hopes of higher AI spending. Markets in US rose the most, followed by Hang Seng. Sensex fell sharply by 1.6%, with real estate and consumer durables stocks declining by over 4%. However, in line with other Asian markets, it is trading higher today.

Fig 1 – Stock markets

	20-01-2025	21-01-2025	Change, %
Dow Jones	43,488	44,026	1.2
S & P 500	5,997	6,049	0.9
FTSE	8,521	8,548	0.3
Nikkei	38,903	39,028	0.3
Hang Seng	19,926	20,107	0.9
Shanghai Comp	3,244	3,243	(0.1)
Sensex	77,073	75,838	(1.6)
Nifty	23,345	23,025	(1.4)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies gained. Investors focussed on US President's tariff policies. GBP rose even as unemployment rate in UK edged up. EUR also rose despite a decline in Germany's economic sentiment index. INR is trading flat today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	20-01-2025	21-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0416	1.0428	0.1
GBP/USD (1 GBP / USD)	1.2328	1.2350	0.2
USD/JPY (JPY / 1 USD)	155.62	155.52	0.1
USD/INR (INR / 1 USD)	86.57	86.59	0
USD/CNY (CNY / 1 USD)	7.2731	7.2656	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields closed lower. UK's 10Y yield has fallen the most as payroll data strengthened the case for a rate cut by BoE. US 10Y yield also softened by 5bps amidst risk off sentiments surrounding US President's future policies. India's 10Y yield fell by 2bps, in line with global yields and is trading at the same level today.

Fig 3 – Bond 10Y yield

	20-01-2025	21-01-2025	Change, %
US	4.63	4.58	(5)
UK	4.66	4.59	(7)
Germany	2.53	2.51	(2)
Japan	1.20	1.19	(1)
China	1.68	1.67	(1)
India	6.76	6.74	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-01-2025	21-01-2025	Change, %
Tbill-91 days	6.57	6.58	1
Tbill-182 days	6.67	6.68	1
Tbill-364 days	6.69	6.69	-
G-Sec 2Y	6.67	6.67	(1)
India OIS-2M	6.59	6.56	(3)
India OIS-9M	6.46	6.44	(2)
SONIA int rate benchmark	4.70	4.70	-
US SOFR	4.29	4.29	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-01-2025	21-01-2025	Change, %
Net Liquidity (-deficit/+surplus)	(2.4)	(2.7)	(0.3)
Reverse Repo	0	0	0
Repo	2.3	2.3	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-01-2025	20-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(367.4)	(342.9)	24.5
Debt	51.6	87.5	35.9
Equity	(418.9)	(430.4)	(11.5)
Mutual funds (Rs cr)	3,149.2	(1,428.0)	(4,577.2)
Debt	1,275.7	(3,881.0)	(5,156.6)
Equity	1,873.5	2,452.9	579.4

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 16 and 17 Jan 2025

- Oil prices declined amidst expectations of higher US supply.

Fig 7 – Commodities

	20-01-2025	21-01-2025	Change, %
Brent crude (US\$/bbl)	80.2	79.3	(1.1)
Gold (US\$/ Troy Ounce)	2,708.2	2,744.8	1.4
Copper (US\$/ MT)	9,163.0	9,168.9	0.1
Zinc (US\$/MT)	2,922.3	2,869.5	(1.8)
Aluminium (US\$/MT)	2,691.5	2,646.0	(1.7)

Source: Bloomberg, Bank of Baroda Research



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