

**MORNING MOCHA**

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Existing home sales in the US rose by 2.2% in Dec'24 to 4.24mn units (10-month high), even as house prices surged. However, on an annual basis, sales in CY24 were the lowest since CY95. CY25 appears to have started on a bleaker note, with services PMI and consumer sentiment declining. Flash US services PMI eased to 52.8 in Jan'25 (9-month low) from 56.8 in Dec'24. University of Michigan's Jan'25 consumer sentiment also dropped for the 1<sup>st</sup> time in six months, to 71.1 from 74 in Dec'24, and inflation expectations jumped (3.3% versus 2.8% in Dec'24). In China as well, the year has started on a weak footing with official manufacturing PMI dropping to 49.1 in Jan'25 from 50.1 in Dec'24, led by steep decline in new orders index. Industrial profits in China fell for the 3<sup>rd</sup> consecutive year in CY24 (-3.3%), following (-) 2.3% decline in CY23. In contrast, India's manufacturing activity remains robust, with flash Markit PMI at 58 in Jan'25, up from 56.4 in Dec'24.

- Except Hong Kong and China, stocks elsewhere ended lower. Investors continued to monitor US policies and macro data. Earnings reports also remain in focus. However, optimism over US-China relations drove stocks in HK and China higher. Sensex ended in red, as real estate and oil and gas stocks slid. It is trading further lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

|               | 23-01-2025 | 24-01-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones     | 44,565     | 44,424     | (0.3)     |
| S & P 500     | 6,119      | 6,101      | (0.3)     |
| FTSE          | 8,565      | 8,502      | (0.7)     |
| Nikkei        | 39,959     | 39,932     | (0.1)     |
| Hang Seng     | 19,701     | 20,066     | 1.9       |
| Shanghai Comp | 3,230      | 3,253      | 0.7       |
| Sensex        | 76,520     | 76,190     | (0.4)     |
| Nifty         | 23,205     | 23,092     | (0.5)     |

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies ended stronger. DXY fell by 0.6% led by weak macro data (services PMI and consumer sentiment index). GBP and EUR gained as flash PMIs signalled an improvement. INR appreciated tracking lower oil prices. However, it is trading weaker today, in line with its Asian peers.

**Fig 2 – Currencies**

|                       | 23-01-2025 | 24-01-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.0415     | 1.0497     | 0.8       |
| GBP/USD (1 GBP / USD) | 1.2353     | 1.2484     | 1.1       |
| USD/JPY (JPY / 1 USD) | 156.05     | 156.00     | 0         |
| USD/INR (INR / 1 USD) | 86.47      | 86.21      | 0.3       |
| USD/CNY (CNY / 1 USD) | 7.2862     | 7.2411     | 0.6       |

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 2bps, as analysts assess recent comments by President Trump (call for lower rates) mixed macro data (weak service PMI and higher home sales). Japan's 10Y rose further, tracking rate hike by BoJ. India's 10Y yield closed a tad lower, and has fallen sharply today by 5bps to 6.67%, ahead of Union Budget announcement later this week.

**Fig 3 – Bond 10Y yield**

|         | 23-01-2025 | 24-01-2025 | Change, % |
|---------|------------|------------|-----------|
| US      | 4.64       | 4.62       | (2)       |
| UK      | 4.64       | 4.63       | (1)       |
| Germany | 2.55       | 2.57       | 2         |
| Japan   | 1.21       | 1.23       | 2         |
| China   | 1.66       | 1.66       | 0         |
| India   | 6.73       | 6.72       | (1)       |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 23-01-2025 | 24-01-2025 | Change, % |
|--------------------------|------------|------------|-----------|
| Tbill-91 days            | 6.59       | 6.58       | (1)       |
| Tbill-182 days           | 6.67       | 6.66       | (1)       |
| Tbill-364 days           | 6.61       | 6.60       | (1)       |
| G-Sec 2Y                 | 6.64       | 6.62       | (1)       |
| India OIS-2M             | 6.54       | 6.52       | (2)       |
| India OIS-9M             | 6.41       | 6.38       | (3)       |
| SONIA int rate benchmark | 4.70       | 4.70       | 0         |
| US SOFR                  | 4.30       | 4.35       | 5         |

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

| Rs tn                             | 23-01-2025 | 24-01-2025 | Change, % |
|-----------------------------------|------------|------------|-----------|
| Net Liquidity (-deficit/+surplus) | (3.2)      | (2.8)      | 0.4       |
| Reverse Repo                      | 0          | 0          | 0         |
| Repo                              | 2.3        | 0          | (2.3)     |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 22-01-2025 | 23-01-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | (250.0)    | (296.6)    | (46.6)                 |
| Debt                 | 98.7       | 57.5       | (41.2)                 |
| Equity               | (348.6)    | (354.1)    | (5.4)                  |
| Mutual funds (Rs cr) | (1,235.9)  | (909.6)    | 326.3                  |
| Debt                 | (2,914.1)  | (3,722.0)  | (808.0)                |
| Equity               | 1,678.2    | 2,812.5    | 1,134.2                |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 21 and 22 Jan 2025

- Oil prices were broadly steady, awaiting details on US sanctions and tariffs.

**Fig 7 – Commodities**

|                         | 23-01-2025 | 24-01-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl)  | 78.3       | 78.5       | 0.3       |
| Gold (US\$/ Troy Ounce) | 2,754.9    | 2,770.6    | 0.6       |
| Copper (US\$/ MT)       | 9,117.8    | 9,156.3    | 0.4       |
| Zinc (US\$/MT)          | 2,801.6    | 2,782.4    | (0.7)     |
| Aluminium (US\$/MT)     | 2,623.5    | 2,641.0    | 0.7       |

Source: Bloomberg, Bank of Baroda Research



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