

MORNING MOCHA

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Latest macro data from the US indicates some slowdown in economic momentum. US durable goods orders declined by (-) 2.2% in Dec'24 (est.: +0.8%), following (-) 2% decline in Nov'24. Core orders (non-defence capital goods excl aircrafts) also eased, to 0.5% from 0.9%, indicating weakening investment activity. Conference board consumer confidence index also slipped in Jan'25 to 104.1 from 109.5 in Dec'24, led by steeper decline in the present situation index (-9.7 points) versus the expectations index (-2.6 points). Concerns surrounding labour market remain significant. Markets now await guidance from Fed regarding future rate trajectory and President Donald Trump's tariff announcement on Canadian and Mexican imports. This will have an impact on the inflation in the US. Separately, in Australia, inflation cooled in Q4CY24 to 2.4%, from 2.8% in Q3. Core inflation also slowed to 3.2%, giving room to RBA to cut rates in Feb'25 rather than May'25.

- Global stocks ended broadly higher as the AI-driven sell-off took a breather. Focus shifted towards US President's tariff warnings, Fed meeting and earnings reports. S&P 500 rose the most. In India, Sensex ended higher by 0.7%. This was led by a rally in banking stocks after RBI announced measures to boost liquidity. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

| | 27-01-2025 | 28-01-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 44,714 | 44,850 | 0.3 |
| S & P 500 | 6,012 | 6,068 | 0.9 |
| FTSE | 8,504 | 8,534 | 0.4 |
| Nikkei | 39,566 | 39,017 | (1.4) |
| Hang Seng | 20,198 | 20,225 | 0.1 |
| Shanghai Comp | 3,253 | 3,251 | (0.1) |
| Sensex | 75,366 | 75,901 | 0.7 |
| Nifty | 22,829 | 22,957 | 0.6 |

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

- Global currencies ended broadly weaker against the dollar. DXY rose by 0.5% as tariff jitters returned, after comments by the US President. JPY fell the most by 0.7%, followed by EUR. INR depreciated by 0.2%, tracking weak global cues. It is trading further weaker today.

Fig 2 – Currencies

| | 27-01-2025 | 28-01-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.0492 | 1.0430 | (0.6) |
| GBP/USD (1 GBP / USD) | 1.2499 | 1.2443 | (0.4) |
| USD/JPY (JPY / 1 USD) | 154.51 | 155.54 | (0.7) |
| USD/INR (INR / 1 USD) | 86.34 | 86.53 | (0.2) |
| USD/CNY (CNY / 1 USD) | 7.2411 | 7.2446 | 0 |

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



- Global yields closed mixed. US 10Y yield ended flat, as investors await Fed's rate decision (due today) and President Trump's tariff announcements this week. Markets are now pricing in 2 rate cuts in CY25. India's 10Y yield rose a tad by 1bps, tracking rise in oil prices. However, following global cues, it is trading slightly lower today at 6.68%.

Fig 3 – Bond 10Y yield

| | 27-01-2025 | 28-01-2025 | Change, bps |
|---------|------------|------------|-------------|
| US | 4.53 | 4.53 | 0 |
| UK | 4.59 | 4.61 | 3 |
| Germany | 2.53 | 2.57 | 3 |
| Japan | 1.21 | 1.20 | (1) |
| China | 1.66 | 1.63 | (3) |
| India | 6.68 | 6.69 | 1 |

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

Fig 4 – Short term rates

| | 27-01-2025 | 28-01-2025 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days | 6.56 | 6.55 | (1) |
| Tbill-182 days | 6.67 | 6.63 | (4) |
| Tbill-364 days | 6.65 | 6.61 | (4) |
| G-Sec 2Y | 6.60 | 6.60 | 1 |
| India OIS-2M | 6.52 | 6.53 | 2 |
| India OIS-9M | 6.35 | 6.36 | 1 |
| SONIA int rate benchmark | 4.70 | 4.70 | 0 |
| US SOFR | 4.34 | 4.34 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 27-01-2025 | 28-01-2025 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | (3.1) | (2.5) | 0.6 |
| Reverse Repo | 0 | 0 | 0 |
| Repo | 1.6 | 1.6 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 24-01-2025 | 27-01-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (306.3) | (237.7) | 68.7 |
| Debt | 25.9 | 284.7 | 258.8 |
| Equity | (332.2) | (522.4) | (190.2) |
| Mutual funds (Rs cr) | (718.7) | (3,144.8) | (2,426.1) |
| Debt | (3,311.1) | (4,777.8) | (1,466.7) |
| Equity | 2,592.4 | 1,633.0 | (959.4) |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 23 and 24 Jan 2025

- Oil prices rose, awaiting announcement of US tariffs on Canada and Mexico.

Fig 7 – Commodities

| | 27-01-2025 | 28-01-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 77.1 | 77.5 | 0.5 |
| Gold (US\$/ Troy Ounce) | 2,740.8 | 2,763.5 | 0.8 |
| Copper (US\$/ MT) | 8,972.1 | 8,861.3 | (1.2) |
| Zinc (US\$/MT) | 2,791.2 | 2,724.5 | (2.4) |
| Aluminium (US\$/MT) | 2,602.5 | 2,572.5 | (1.2) |

Source: Bloomberg, Bank of Baroda Research



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