

## MORNING MOCHA

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Global equity indices recorded stellar performance in 2024. However, analyst expects some consolidation as the new year is laced with uncertainties. This is on account of headwinds from global trade and impact of new policies to be announced by President-elect Trump. Separately, in China the Caixin manufacturing PMI slipped down to 50.5 in Dec'24 (51.5 in Nov'24), tad lower than expectation. This signalled that while it remained in the expansionary zone and continued to improve for the 3<sup>rd</sup> straight month, the pace of growth though has moderated. In Korea, the Central Bank Governor stated that the monetary policy will be 'manged with flexibility and agility' given the rise in economic and political uncertainties. In Singapore, based on the advance estimates, the economy expanded by 4.3% in Q4CY24 (5.4% in Q3) and overall growth for CY24 rose by 4% (1.1% growth in CY23).

- Global indices ended mixed amidst thin trading volume. US indices recorded annual gains supported by a rally in technology stocks and Fed beginning with easing cycle after 3.5 years. Sensex climbed up with gains noted in auto and cap good stocks. It is trading higher today while other Asian indices are trading mixed.

**Fig 1 – Stock markets**

	31-12-2024	1-01-2025	Change, %
Dow Jones	42,574	42,544	(0.1)
S & P 500	5,907	5,882	(0.4)
FTSE	8,121	8,173	0.6
Nikkei	40,281	39,895	(1.0)
Hang Seng	20,041	20,060	0.1
Shanghai Comp	3,407	3,352	(1.6)
Sensex	78,139	78,507	0.5
Nifty	23,645	23,645	0

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 1 Jan 2025; Indian markets were open on 1 Jan 2025

- Global currencies noted thin trading amidst markets remaining closed in major countries. INR was broadly steady at 85.65/\$ mark (historic low), dented by stronger US\$ and muted FPI inflows. Markets await more clarity on Fed's rate cut trajectory in CY25. INR is trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	31-12-2024	1-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0407	1.0354	(0.5)
GBP/USD (1 GBP / USD)	1.2550	1.2516	(0.3)
USD/JPY (JPY / 1 USD)	156.84	157.20	(0.2)
USD/INR (INR / 1 USD)	85.61	85.65	0
USD/CNY (CNY / 1 USD)	7.2961	7.2993	0

Source: Bloomberg, Bank of Baroda | Note: Global markets were closed on 1 Jan 2025; Indian markets were open on 1 Jan 2025



- Most debt markets were closed globally for New Year's Day holiday. Before the close, US 10Y yield was on an upward path, following which India's 10Y yield also rose by 2bps. Higher oil prices also impacted investor sentiments in India. Today as well, 10Y yield is trading a tad higher at 6.79%. Markets await US labour market data, due later today, for more guidance.

**Fig 3 – Bond 10Y yield**

	31-12-2024	1-01-2025	Change, bps
US	4.53	4.57	4
UK	4.61	4.57	(4)
Germany	2.40	2.37	(3)
Japan	1.13	1.10	(2)
China	1.71	1.68	(4)
India	6.76	6.78	2

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 1 Jan 2025; Indian markets were open on 1 Jan 2025

**Fig 4 – Short term rates**

	31-12-2024	1-01-2025	change in bps
Tbill-91 days	6.54	6.55	1
Tbill-182 days	6.68	6.71	3
Tbill-364 days	6.68	6.69	1
G-Sec 2Y	6.72	6.71	(1)
India OIS-2M	6.66	6.65	(1)
India OIS-9M	6.53	6.54	1
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.46	4.37	(9)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	31-12-2024	1-01-2025	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.3	1.0	(0.3)
Reverse Repo	0	0	0
Repo	2.1	2.1	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	30-12-2024	31-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(170.7)	(378.9)	(208.3)
Debt	16.4	246.0	229.6
Equity	(187.1)	(625.0)	(437.9)
Mutual funds (Rs cr)	169.1	1,383.6	1,214.5
Debt	(2,608.2)	665.0	3,273.2
Equity	2,777.3	718.6	(2,058.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Funds data as of 19 Dec and 20 Dec 2024

- Oil prices inched up, as China assures more policy support for growth in CY25.

**Fig 7 – Commodities**

	31-12-2024	1-01-2025	% change
Brent crude (US\$/bbl)	74.4	74.6	0.3
Gold (US\$/ Troy Ounce)	2,606.5	2,624.5	0.7
Copper (US\$/ MT)	8,794.9	8,652.7	(1.6)
Zinc (US\$/MT)	2,997.8	2,953.9	(1.5)
Aluminium (US\$/MT)	2,551.0	2,551.5	0

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 1 Jan 2025



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