

## MORNING MOCHA

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ECONOMIST  
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Flash PMIs by Markit indicate manufacturing activity continues to deteriorate across US and Europe. The pace of contraction remained unchanged in Eurozone (PMI at 45.2 in Dec'24, same as Nov'24), while it fastened in US (48.3 versus 49.7) and UK (47.3 versus 48), and slowed in Japan (49.6 versus 49). Manufacturing sector also reported spike in input prices and noted deterioration in future business optimism as US tariff threat looms. In contrast, services activity expanded across US and Europe, signalling sustained consumption demand and impact of holiday season. In China too, while pace of expansion of manufacturing activity slowed in Dec'24 (50.1 versus 50.3 in Nov'24), that of non-manufacturing activity jumped (52.2 versus 50). In India, RBI's FSR shows that balance sheets of SCBs remains healthy with improvement in profitability, decadal high RoA and RoE, decline in NPAs and sufficient capital buffers.

- Except China, stock indices elsewhere ended weaker amidst year-end profit booking. Going into 2025, investors' focus is likely to remain on the path of Fed rates as well as the incoming President's policies. In the US, tech stocks led the decline. Sensex declined by 0.6% led by losses in metal and capital goods stocks. It is trading further weaker today, in line with other Asian indices.

**Fig 1 – Stock markets**

	27-12-2024	30-12-2024	Change, %
Dow Jones	42,992	42,574	(1.0)
S & P 500	5,971	5,907	(1.1)
FTSE	8,150	8,121	(0.4)
Nikkei	40,281	39,895	(1.0)
Hang Seng	20,090	20,041	(0.2)
Shanghai Comp	3,400	3,407	0.2
Sensex	78,699	78,248	(0.6)
Nifty	23,813	23,645	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose marginally by 0.1% even as US yields cooled off. JPY rose by 0.7% as flash manufacturing PMI signalled some improvement in demand and output conditions in Dec'24. INR ended flat. However, it is trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	27-12-2024	30-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0426	1.0407	(0.2)
GBP/USD (1 GBP / USD)	1.2578	1.2550	(0.2)
USD/JPY (JPY / 1 USD)	157.87	156.84	0.7
USD/INR (INR / 1 USD)	85.54	85.54	0
USD/CNY (CNY / 1 USD)	7.2961	7.2993	0

Source: Bloomberg, Bank of Baroda



- Except China, other global 10Y yields declined. US 10Y yield fell most sharply by 9bps, as investors recalibrated their portfolios and tracked manufacturing PMI data. In Europe, continued stress in the manufacturing sector also dented investor sentiments. India's 10Y yield fell a tad by 1bps, as oil prices were broadly steady. Tracking global cues, it is trading further lower today at 6.76%.

**Fig 3 – Bond 10Y yield**

	27-12-2024	30-12-2024	Change, bps
US	4.63	4.53	(9)
UK	4.63	4.61	(2)
Germany	2.40	2.37	(3)
Japan	1.13	1.10	(2)
China	1.70	1.71	1
India	6.79	6.77	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	27-12-2024	30-12-2024	change in bps
Tbill-91 days	6.67	6.54	(13)
Tbill-182 days	6.69	6.63	(6)
Tbill-364 days	6.69	6.62	(7)
G-Sec 2Y	6.73	6.73	0
India OIS-2M	6.64	6.66	2
India OIS-9M	6.55	6.54	(1)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.53	4.46	(7)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	27-12-2024	30-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.9	2.1	0.2
Reverse Repo	0	0	0
Repo	0	2.1	2.1

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	26-12-2024	27-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(39.9)	(140.2)	(100.3)
Debt	146.9	(183.5)	(330.3)
Equity	(186.7)	43.3	230.0
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 rose marginally as analysts await US macro data to assess demand.

**Fig 7 – Commodities**

	27-12-2024	30-12-2024	% change
Brent crude (US\$/bbl)	74.2	74.4	0.3
Gold (US\$/ Troy Ounce)	2,621.4	2,606.5	(0.6)
Copper (US\$/ MT)	8,871.9	8,794.9	(0.9)
Zinc (US\$/MT)	3,014.5	2,997.8	(0.6)
Aluminium (US\$/MT)	2,558.0	2,551.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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