

MORNING MOCHA

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ECONOMIST
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Labour market in the US remains resilient, with initial jobless claims for the week ending 25 Jan 2025 falling to 207k (est.: 220k), down by 16k from the previous week. In Q4, US GDP rose by 2.3% (est.: 2.5%), down from 3.1% in Q3, dragged by weaker business investments and exports. In contrast, economic conditions in Europe remains much weaker. Germany's Q4CY24 GDP contracted by (-) 0.2% (est.: -0.1%) following 0.1% increase in Q3. On an annual basis, GDP was down by (-) 0.2% in CY24 versus (-) 0.3% in CY23. Eurozone's Q4CY24 GDP registered flat growth (0%), down from 0.4% in Q3. Key drivers of this trend were inflationary shocks, elevated rates, and weakness in manufacturing sector. Consequently, ECB has decided to lower rates aggressively to support growth. In its latest meeting as well, 25bps rate cut in deposit rate was announced yesterday, bringing it to 2.75%.

- Except China (closed), global stocks ended higher. FTSE firmed up the most followed by US stocks. An interplay of factors such as buoyant private consumption data in the US and a softer US\$, impacted investor sentiments. Sensex rose by 0.3%, led by oil and gas stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	29-01-2025	30-01-2025	Change, %
Dow Jones	44,714	44,882	0.4
S & P 500	6,039	6,071	0.5
FTSE	8,558	8,647	1.0
Nikkei	39,415	39,514	0.3
Hang Seng	20,198	20,225	0.1
Shanghai Comp	3,253	3,251	(0.1)
Sensex	76,533	76,760	0.3
Nifty	23,163	23,250	0.4

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

- Except JPY, other global currencies depreciated as investors monitored US President's comments on tariffs. DXY declined, tracking lower than expected GDP growth in Q4. EUR declined, following ECB's rate cut. JPY appreciated amidst hawkish comments from BoJ's Deputy Governor. INR slipped marginally, and is trading flat today. Asian currencies are trading higher.

Fig 2 – Currencies

	29-01-2025	30-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0421	1.0391	(0.3)
GBP/USD (1 GBP / USD)	1.2452	1.2419	(0.3)
USD/JPY (JPY / 1 USD)	155.22	154.29	0.6
USD/INR (INR / 1 USD)	86.56	86.63	(0.1)
USD/CNY (CNY / 1 USD)	7.2411	7.2446	0

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



- Barring Japan (higher), global yields closed lower amidst risk off sentiments in anticipation of higher tariffs under new US administration. UK and Germany's 10Y yield fell at the sharpest pace amidst dovish comments from central bank officials. Japan's 10Y yield inched up over rising policy divergence with the US. India's 10Y yield closed stable and trading at unchanged levels even today.

Fig 3 – Bond 10Y yield

	29-01-2025	30-01-2025	Change, bps
US	4.53	4.52	(1)
UK	4.62	4.56	(6)
Germany	2.58	2.52	(6)
Japan	1.20	1.22	2
China	1.66	1.63	(3)
India	6.69	6.68	0

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

Fig 4 – Short term rates

	29-01-2025	30-01-2025	Change, bps
Tbill-91 days	6.55	6.55	0
Tbill-182 days	6.65	6.61	(4)
Tbill-364 days	6.63	6.60	(3)
G-Sec 2Y	6.61	6.61	1
India OIS-2M	6.52	6.51	(1)
India OIS-9M	6.36	6.34	(2)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.35	4.35	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-01-2025	30-01-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(2.6)	(2.2)	(0.4)
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-01-2025	29-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(62.9)	(133.8)	(70.9)
Debt	277.0	73.7	(203.2)
Equity	(339.8)	(207.5)	132.4
Mutual funds (Rs cr)	799.6	899.1	99.5
Debt	(3,888.1)	(4,502.3)	(614.2)
Equity	4,687.7	5,401.4	713.8

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 27 and 28 Jan 2025

- Oil prices rose, tracking possibility of more sanctions on Russia and Iran.

Fig 7 – Commodities

	29-01-2025	30-01-2025	Change, %
Brent crude (US\$/bbl)	76.6	76.9	0.4
Gold (US\$/ Troy Ounce)	2,759.4	2,794.6	1.3
Copper (US\$/ MT)	8,943.8	9,008.7	0.7
Zinc (US\$/MT)	2,732.2	2,742.3	0.4
Aluminium (US\$/MT)	2,619.5	2,626.5	0.3

Source: Bloomberg, Bank of Baroda Research



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