

MORNING MOCHA

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At the end of 2024 US economy continued to give mixed signal regarding growth. Mortgage applications for the week ending 27 Dec fell by (-) 12.6%, following (-) 10.7% in the previous week. Average 30Y-fixed mortgage rate jumped sharply to 6.97% towards the end of the year from 6.75% in the week before. Initial jobless claims for the week ending 28 Dec, fell by 9k to 211k (est.: 222k)—lowest in 8 months. Continuing claims also declined. This reaffirms the view that Fed will cut rates less aggressively this year. Even BoE may not be able to lower rates sharply, as continuous rise in nationwide house prices indicates that price pressures still remain. House prices were up by 4.7% (YoY) in Dec'24 (est.: 3.8%) versus 3.7% increase in Nov'24. Globally, manufacturing conditions remain weak, with Markit PMI index down to 49.6 in Dec'24 from 50 in Nov'24.

- Except UK and India, stocks elsewhere closed lower. US stocks fell as a strong dollar and prospects of a shallow rate cuts weighed on sentiments. Stocks in China fell on the first trading day of the year amidst concerns over worsening trade relations with the US. In India, Sensex surged led by gains in auto stocks. It is however trading lower today, while Asian markets are trading mixed.

Fig 1 – Stock markets

	1-1-2025	2-1-2025	Change, %
Dow Jones	42,544	42,392	(0.4)
S & P 500	5,882	5,869	(0.2)
FTSE	8,173	8,260	1.1
Nikkei	40,281	39,895	(1.0)
Hang Seng	20,060	19,623	(2.2)
Shanghai Comp	3,352	3,263	(2.7)
Sensex	78,507	79,944	1.8
Nifty	23,743	24,189	1.9

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 2 Jan 2025

- Global currencies ended weaker. DXY rose to a ~2-year high as continued strength in US labour market cemented the case for fewer rate cuts. EUR and GBP declined the most. INR depreciated to a fresh record low and is trading further weaker today. Asian currencies are trading mixed.

Fig 2 – Currencies

	1-1-2025	2-1-2025	Change, %
EUR/USD (1 EUR / USD)	1.0354	1.0265	(0.9)
GBP/USD (1 GBP / USD)	1.2516	1.2380	(1.1)
USD/JPY (JPY / 1 USD)	157.20	157.50	(0.2)
USD/INR (INR / 1 USD)	85.65	85.76	(0.1)
USD/CNY (CNY / 1 USD)	7.2993	7.2994	0

Source: Bloomberg, Bank of Baroda | Note: Markets in Japan were closed on 2 Jan 2025



- Global 10Y yields closed mixed. US 10Y yield was down a tad, tracking mixed macro data. UK's 10Y yield reacted to higher than expected increase in nationwide house prices. In China, hopes of a rate cut by PBOC lowered 10Y yield. India's 10Y yield rose a tad by 1bps, as oil prices continue to inch up. It is trading even higher today, at 6.80%.

Fig 3 – Bond 10Y yield

	1-1-2025	2-1-2025	Change, bps
US	4.57	4.56	(1)
UK	4.57	4.60	3
Germany	2.37	2.38	1
Japan	1.13	1.10	(2)
China	1.68	1.62	(5)
India	6.78	6.79	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 2 Jan 2025

Fig 4 – Short term rates

	1-1-2025	2-1-2025	change in bps
Tbill-91 days	6.55	6.58	3
Tbill-182 days	6.71	6.67	(4)
Tbill-364 days	6.69	6.67	(2)
G-Sec 2Y	6.71	6.72	0
India OIS-2M	6.65	6.66	1
India OIS-9M	6.54	6.54	0
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.37	4.49	12

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-1-2025	2-1-2025	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.0	0.7	(0.3)
Reverse Repo	0	0	0
Repo	2.1	2.1	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-12-2024	1-1-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(378.9)	(79.4)	299.5
Debt	246.0	(9.7)	(255.7)
Equity	(625.0)	(69.7)	555.3
Mutual funds (Rs cr)	1,021.3	5,972.9	4,951.6
Debt	(1,796.4)	3,065.9	4,862.3
Equity	2,817.7	2,907.0	89.3

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Funds data as of 30 Dec and 31 Dec 2024

- Oil prices rose, amidst hopes of policy support and lower rates across countries.

Fig 7 – Commodities

	1-1-2025	2-1-2025	% change
Brent crude (US\$/bbl)	74.6	75.9	1.7
Gold (US\$/ Troy Ounce)	2,624.5	2,657.9	1.3
Copper (US\$/ MT)	8,652.7	8,691.7	0.5
Zinc (US\$/MT)	2,953.9	2,900.9	(1.8)
Aluminium (US\$/MT)	2,551.5	2,529.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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