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Reports suggesting that the incoming US President may declare a national economic emergency to impose wide ranging tariffs soured investor sentiments. This intensified the sell-off in bond markets, while the dollar continued its upward climb. Fed minutes also noted that members remain wary of the risks to inflation and growth outlook amidst uncertainty over government policies, suggesting a cautious approach to future rate cuts. Separately, US labour market continued to show resilience with jobless claims falling to an 11-month low. However, private payrolls (ADP report) moderated to 122,000 in Dec'24 compared with 140,000 in Nov'24. In Japan, consumer sentiment soured, and real wage growth slowed amidst continued price pressures in the country. In contrast, CPI inflation in China rose by 0.2% in Jan'25, only marginally higher than 0.1% in Dec'24. Deflation in PPI persisted even though the pace of contraction was lower.

- Global indices ended mixed. Investors monitored Fed minutes which highlighted inflation risk and concerns around the impact of policies by the incoming US President. The focus will now shift towards jobs report. Sensex ended in red, amid losses in capital goods and power stocks. It is trading lower today, in line with other Asian indices.

Fig 1 – Stock markets

	07-01-2025	08-01-2025	Change, %
Dow Jones	42,528	42,635	0.3
S & P 500	5,909	5,918	0.2
FTSE	8,245	8,251	0.1
Nikkei	40,083	39,981	(0.3)
Hang Seng	19,448	19,280	(0.9)
Shanghai Comp	3,230	3,230	0
Sensex	78,199	78,148	(0.1)
Nifty	23,708	23,689	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended weaker. DXY rose by 0.3% tracking positive labour market data. GBP declined by 0.9% as elevated bond yields raised concerns over government debt. INR slipped to a fresh record low amidst patchy FPI inflows. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	07-01-2025	08-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0340	1.0318	(0.2)
GBP/USD (1 GBP / USD)	1.2477	1.2363	(0.9)
USD/JPY (JPY / 1 USD)	158.05	158.35	(0.2)
USD/INR (INR / 1 USD)	85.72	85.86	(0.2)
USD/CNY (CNY / 1 USD)	7.3280	7.3317	(0.1)

Source: Bloomberg, Bank of Baroda



- Barring China and US (flat), other global 10Y yields closed higher. UK's 10Y yield surged by 11bps (highest since Aug'08) amidst anticipation of much higher borrowing by government and increased prospects of a tighter monetary policy. Germany and Japan's 10Y yield rose by 7bps and 4bps. India's 10Y yield was up by 2bps but is trading a tad lower at 6.76% today.

Fig 3 – Bond 10Y yield

	07-01-2025	08-01-2025	Change, bps
US	4.69	4.69	0
UK	4.68	4.80	11
Germany	2.48	2.55	7
Japan	1.14	1.18	4
China	1.61	1.61	0
India	6.75	6.77	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-01-2025	08-01-2025	change in bps
Tbill-91 days	6.52	6.57	5
Tbill-182 days	6.60	6.69	9
Tbill-364 days	6.64	6.68	4
G-Sec 2Y	6.67	6.68	1
India OIS-2M	6.66	6.68	1
India OIS-9M	6.48	6.50	2
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.27	4.27	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-01-2025	08-01-2025	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.4	1.8	0.5
Reverse Repo	0	0	0
Repo	1.3	1.8	0.5

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-01-2025	07-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(420.3)	(185.8)	234.5
Debt	(64.3)	(43.4)	20.9
Equity	(356.0)	(142.3)	213.6
Mutual funds (Rs cr)	3,295.6	(3,667.3)	(6,962.9)
Debt	(983.7)	(3,936.7)	(2,953.0)
Equity	4,279.4	269.4	(4,010.0)

Source: Bloomberg, Bank of Baroda Research

- Oil prices declined led by a buildup in US crude inventories and a stronger US\$.

Fig 7 – Commodities

	07-01-2025	08-01-2025	% change
Brent crude (US\$/bbl)	77.1	76.2	(1.2)
Gold (US\$/ Troy Ounce)	2,648.6	2,661.9	0.5
Copper (US\$/ MT)	8,886.9	8,917.3	0.3
Zinc (US\$/MT)	2,836.9	2,789.5	(1.7)
Aluminium (US\$/MT)	2,517.5	2,498.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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