

MORNING MOCHA

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ECONOMIST

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US PPI data showed stickiness on a MoM basis buoyed by food. However, PPI excl. food and energy remained in line with estimates (0.2% & 3.4%, MoM & YoY basis). Jobless claims inched up as volatility might have persisted post-Thanksgiving holiday. Elsewhere in Japan, Tankan large manufacturing index firmed up signalling improving industrial activity. On monetary policy, ECB went in for 25bps cut in its policy rate and signalled a dovish approach. Eurozone growth forecast was slashed down to 1.1% from 1.3% earlier in CY25. Even Swiss National Bank (SNB) went for a 50bps cut. Geopolitical worries, fears of higher tariff and likely pressure on currency is giving headroom to global central banks for an easier monetary policy. On domestic front, inflation got some comfort led by softening food inflation.

- Global indices ended mixed. Investors monitored a higher-than-expected PPI reading in the US, along with rate cuts by the ECB, Swiss National Bank and Bank of Canada. Stocks in US fell, while Asian stocks were mostly higher. Sensex underperformed and declined by 0.3%, led by losses in capital goods and oil and gas stocks. It is trading further lower today, in line with other Asian stocks as China's policy announcement failed to woo investors.

Fig 1 – Stock markets

	11-12-2024	12-12-2024	Change, %
Dow Jones	44,149	43,914	(0.5)
S & P 500	6,084	6,051	(0.5)
FTSE	8,302	8,312	0.1
Nikkei	39,372	39,849	1.2
Hang Seng	20,155	20,397	1.2
Shanghai Comp	3,432	3,462	0.8
Sensex	81,526	81,290	(0.3)
Nifty	24,642	24,549	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended broadly weaker. Dollar's rally continued amidst rate cuts by other global central banks, keeping the rate differentials in favour of the US. JPY depreciated as BoJ is likely to defer a rate hike to Jan'25. INR touched another record low but is trading a tad stronger today. Asian currencies are trading mixed.

Fig 2 – Currencies

	11-12-2024	12-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0496	1.0468	(0.3)
GBP/USD (1 GBP / USD)	1.2751	1.2673	(0.6)
USD/JPY (JPY / 1 USD)	152.45	152.63	(0.1)
USD/INR (INR / 1 USD)	84.84	84.87	0
USD/CNY (CNY / 1 USD)	7.2630	7.2691	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. Germany's 10Y yield firmed up as traders remained watchful of ECB policy. Going ahead, interest rate differential with the US would be the guiding factor in major asset reallocation. 10Y yield in US also firmed up eyeing PPI data. India's 10Y yield rose by 2bps and it is trading at 6.75% today.

Fig 3 – Bond 10Y yield

	11-12-2024	12-12-2024	Change, bps
US	4.27	4.33	6
UK	4.32	4.36	4
Germany	2.13	2.21	8
Japan	1.08	1.05	(2)
China	1.84	1.82	(2)
India	6.72	6.74	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-12-2024	12-12-2024	change in bps
Tbill-91 days	6.44	6.43	(1)
Tbill-182 days	6.59	6.59	0
Tbill-364 days	6.55	6.55	0
G-Sec 2Y	6.64	6.64	0
India OIS-2M	6.63	6.62	(1)
India OIS-9M	6.43	6.44	1
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.64	4.62	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	11-12-2024	12-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.5)	(0.1)
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-12-2024	11-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	516.5	17.8	(498.6)
Debt	296.4	(5.1)	(301.6)
Equity	220.0	23.0	(197.1)
Mutual funds (Rs cr)	(3,037.1)	(4,834.7)	(1,797.6)
Debt	(1,821.7)	(5,829.7)	(4,007.9)
Equity	(1,215.4)	994.9	2,210.3

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 09 Dec and 10 Dec 2024

- Oil prices dipped as IEA forecasts indicate a supply surplus in 2025.

Fig 7 – Commodities

	11-12-2024	12-12-2024	% change
Brent crude (US\$/bbl)	73.5	73.4	(0.1)
Gold (US\$/ Troy Ounce)	2,718.2	2,680.7	(1.4)
Copper (US\$/ MT)	9,074.1	8,972.6	(1.1)
Zinc (US\$/MT)	3,094.9	3,045.3	(1.6)
Aluminium (US\$/MT)	2,601.0	2,599.5	(0.1)

Source: Bloomberg, Bank of Baroda Research



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