

MORNING MOCHA

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Economic activity in China remains worrisome, as both consumption and investment demand fades. Retail sales in Nov'24 rose by 3% (weakest in 3 months and below 5% est.) following 4.8% growth in Oct'24. FAI growth also slowed to 3.3% in Jan-Nov'24 period, from 3.4% during Jan-Oct'24. China's property sector continues to act as a drag with property investment declining by (-) 10.4% versus (-) 10.3% during Jan-Oct'24. Government officials have recently indicated that they will follow a loose fiscal and monetary policy next year, and target for steady growth (likely 5% next year as well). More concrete measures are expected to be announced, once Trump administration takes charge in the US and announces tariffs. Investors also await latest economic projections by Fed to gauge how inflation risks are incorporated. Following 25bps rate cut this week, Fed is expected to remain on pause in Jan'25.

- Barring domestic indices, other global indices ended in red. European markets closed lower after disappointing data (UK's GDP and weakness Germany's export). Investors will turn their focus towards the upcoming Fed policy. Sensex closed higher supported by gains in IT and consumer durable stocks. It is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	12-12-2024	13-12-2024	Change, %
Dow Jones	43,914	43,828	(0.2)
S & P 500	6,051	6,051	0
FTSE	8,312	8,300	(0.1)
Nikkei	39,849	39,470	(1.0)
Hang Seng	20,397	19,971	(2.1)
Shanghai Comp	3,462	3,392	(2.0)
Sensex	81,290	82,133	1.0
Nifty	24,549	24,768	0.9

Source: Bloomberg, Bank of Baroda Research

- Except for the EUR and INR, other global currencies ended lower. Following expectations of a rate cut by the Fed, DXY closed lower. JPY weakened amidst investors scaling back rate hike expectations. INR strengthened, given easing inflation and recovery in equity markets. It is trading at similar levels today and Asian currencies are trading mixed.

Fig 2 – Currencies

	12-12-2024	13-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0468	1.0501	0.3
GBP/USD (1 GBP / USD)	1.2673	1.2619	(0.4)
USD/JPY (JPY / 1 USD)	152.63	153.65	(0.7)
USD/INR (INR / 1 USD)	84.87	84.80	0.1
USD/CNY (CNY / 1 USD)	7.2691	7.2736	(0.1)

Source: Bloomberg, Bank of Baroda



- Except Asia, 10Y yields elsewhere inched up. Yield in US rose the most (7bps), as investors expect a pause from Fed in Jan'25, following a rate cut this month. They also await information on new economic projections. In UK, analysts expect BoE to keep rate on hold, despite weakening growth. India's 10Y yield eased by 1bps, and is trading broadly unchanged even today (6.73%).

Fig 3 – Bond 10Y yield

	12-12-2024	13-12-2024	Change, bps
US	4.33	4.40	7
UK	4.36	4.41	5
Germany	2.21	2.26	5
Japan	1.05	1.04	(1)
China	1.82	1.78	(3)
India	6.74	6.73	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-12-2024	13-12-2024	change in bps
Tbill-91 days	6.43	6.45	2
Tbill-182 days	6.59	6.61	2
Tbill-364 days	6.55	6.57	2
G-Sec 2Y	6.64	6.67	3
India OIS-2M	6.62	6.62	0
India OIS-9M	6.44	6.44	0
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.62	4.62	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-12-2024	13-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.2)	0.3
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-12-2024	12-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	17.8	(952.1)	(969.9)
Debt	(5.1)	(532.2)	(527.1)
Equity	23.0	(419.9)	(442.8)
Mutual funds (Rs cr)	(4,834.7)	4,061.4	8,896.1
Debt	(5,829.7)	1,727.2	7,556.9
Equity	994.9	2,334.1	1,339.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 10 Dec and 11 Dec 2024

- Oil prices rose, due to supply concerns (possible sanctions on Russia and Iran).

Fig 7 – Commodities

	12-12-2024	13-12-2024	% change
Brent crude (US\$/bbl)	73.4	74.5	1.5
Gold (US\$/ Troy Ounce)	2,680.7	2,648.2	(1.2)
Copper (US\$/ MT)	8,972.6	8,940.5	(0.4)
Zinc (US\$/MT)	3,045.3	3,070.6	0.8
Aluminium (US\$/MT)	2,599.5	2,605.0	0.2

Source: Bloomberg, Bank of Baroda Research



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