

MORNING MOCHA

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Markit flash PMIs show that manufacturing activity remains under stress in Europe and US. Within Europe, both the major economies, Germany and France, have reported acceleration in pace of contraction, as new order inflows record steep decline. In both US and UK, input prices also remain a concern, with notable uptick visible. On the other hand, services sector activity expanded across countries, supported by festive demand. Investors now await slew of central bank decisions by- US Fed, BoJ, BoE, to gauge the outlook for CY25. Domestically, India's both services and manufacturing sector activity expanded, boosted by higher order inflows, employment and production. Higher prices are making a comeback in both sectors. Separately, India's trade deficit in Nov'24 rose to a record high of US\$ 37.8bn (US\$ 27.1bn in Oct'24), due to sharp rise in gold imports (US\$ 7.7bn MoM).

- Barring Nikkei (flat) and S&P500, other global indices ended lower. Disappointing retail sales data from China dragged down the Asian indices. Additionally, tariff threat from the US added to the concerns. Amongst other indices, Hang Seng dropped the most. Sensex also fell, led by losses in metal and IT stocks. It is trading lower today in line with other Asian indices.

Fig 1 – Stock markets

	13-12-2024	16-12-2024	Change, %
Dow Jones	43,828	43,717	(0.3)
S & P 500	6,051	6,074	0.4
FTSE	8,300	8,262	(0.5)
Nikkei	39,470	39,457	0
Hang Seng	19,971	19,795	(0.9)
Shanghai Comp	3,392	3,386	(0.2)
Sensex	82,133	81,749	(0.5)
Nifty	24,768	24,668	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except EUR and GBP, other global currencies ended lower. Amidst expectations of rate cut by the Fed, DXY eased. Moreover, investors are expecting a 37% chance of another 25ps rate cut in CY25. INR depreciated amidst weakness in Yuan and elevated US yields. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	13-12-2024	16-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0501	1.0512	0.1
GBP/USD (1 GBP / USD)	1.2619	1.2683	0.5
USD/JPY (JPY / 1 USD)	153.65	154.15	(0.3)
USD/INR (INR / 1 USD)	84.80	84.87	(0.1)
USD/CNY (CNY / 1 USD)	7.2736	7.2839	(0.1)

Source: Bloomberg, Bank of Baroda



- Global 10Y yields closed mixed. Yield in US remained flat, while it inched up in UK and Japan. Investors await Fed rate cut guidance for CY25. In UK, stronger than expected flash services PMI and anticipation of elevated policy rates for longer, pushed yields higher. India's 10Y yield rose by 2bps, and is trading even higher at 6.75% today, tracking global cues.

Fig 3 – Bond 10Y yield

	13-12-2024	16-12-2024	Change, bps
US	4.40	4.40	0
UK	4.41	4.44	3
Germany	2.26	2.25	(1)
Japan	1.04	1.07	3
China	1.78	1.73	(5)
India	6.73	6.74	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	13-12-2024	16-12-2024	change in bps
Tbill-91 days	6.45	6.41	(4)
Tbill-182 days	6.61	6.58	(3)
Tbill-364 days	6.57	6.53	(4)
G-Sec 2Y	6.67	6.68	1
India OIS-2M	6.62	6.63	1
India OIS-9M	6.44	6.45	1
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.62	4.60	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	13-12-2024	16-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	1.1	1.3
Reverse Repo	0	0	0
Repo	0	0.8	0.8

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-12-2024	13-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(952.1)	328.3	1,280.4
Debt	(532.2)	(17.9)	514.4
Equity	(419.9)	346.1	766.0
Mutual funds (Rs cr)	4,061.4	712.9	(3,348.4)
Debt	1,727.2	(1,932.7)	(3,659.9)
Equity	2,334.1	2,645.6	311.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 11 Dec and 12 Dec 2024

- Oil prices fell, tracking weak consumption data from China.

Fig 7 – Commodities

	13-12-2024	16-12-2024	% change
Brent crude (US\$/bbl)	74.5	73.9	(0.8)
Gold (US\$/ Troy Ounce)	2,648.2	2,652.7	0.2
Copper (US\$/ MT)	8,940.5	8,942.5	0
Zinc (US\$/MT)	3,070.6	3,030.3	(1.3)
Aluminium (US\$/MT)	2,605.0	2,566.5	(1.5)

Source: Bloomberg, Bank of Baroda Research



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