

MORNING MOCHA

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ECONOMIST

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US retail sales rose by 0.7% (MoM) in Nov'24, up from 0.5% in Oct'24. Seasonal factors were at play here, with holiday shopping boosting online sales and sales of furniture, electronics and appliances, and sporting goods. Notably, interest sensitive auto sales were also higher. In contrast, industrial production fell by (-) 0.1% in Nov'24 (est.: +0.3%), following (-) 0.4% decline in Oct'24. The drag came from utilities and mining sector, while manufacturing output improved. Investors now await guidance on Fed's rate cut trajectory next year. In case of BoE, analysts have trimmed their hopes of aggressive rate cuts in CY25, as average weekly earnings continue to inch up. ECB on the other hand, is expected to cut rates significantly, given weak economic conditions in Germany. Its IFO index eased to 84.7 in Dec'24 from 85.6 in Nov'24, tracking political developments in US and Germany.

- Global indices ended lower ahead of the Fed policy decision. FTSE was down dimming hopes of faster rate cuts given the recent wage growth data. Sensex too ended in red and was dragged down by losses in metal and auto stocks. It is trading lower today while Asian indices are trading mixed.

Fig 1 – Stock markets

	16-12-2024	17-12-2024	Change, %
Dow Jones	43,717	43,450	(0.6)
S & P 500	6,074	6,051	(0.4)
FTSE	8,262	8,195	(0.8)
Nikkei	39,457	39,365	(0.2)
Hang Seng	19,795	19,700	(0.5)
Shanghai Comp	3,386	3,361	(0.7)
Sensex	81,749	80,684	(1.3)
Nifty	24,668	24,336	(1.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY strengthened supported by strong retail sales data. Investors turned their focus towards the major central bank decisions, with the BoE and BoJ expected to hold rates, while the Fed is likely to lower them. INR ended flat. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	16-12-2024	17-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0512	1.0491	(0.2)
GBP/USD (1 GBP / USD)	1.2683	1.2710	0.2
USD/JPY (JPY / 1 USD)	154.15	153.46	0.4
USD/INR (INR / 1 USD)	84.87	84.90	0
USD/CNY (CNY / 1 USD)	7.2839	7.2842	0

Source: Bloomberg, Bank of Baroda



- Global 10Y yields closed mixed. Yield in US remained flat, while it inched up in UK sharply. Average weekly earnings in the UK rose more than expected, leading to more concerns around BoE's rate cut trajectory next year. In Germany, subdued business outlook dented sentiments. India's 10Y yield rose by 2bps, but is trading a tad lower at 6.75% today, tracking dip in oil prices.

Fig 3 – Bond 10Y yield

	16-12-2024	17-12-2024	Change, bps
US	4.40	4.40	0
UK	4.44	4.52	8
Germany	2.25	2.23	(2)
Japan	1.07	1.08	1
China	1.73	1.73	0
India	6.74	6.76	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	16-12-2024	17-12-2024	change in bps
Tbill-91 days	6.41	6.44	3
Tbill-182 days	6.58	6.59	1
Tbill-364 days	6.53	6.55	2
G-Sec 2Y	6.68	6.69	2
India OIS-2M	6.63	6.65	2
India OIS-9M	6.45	6.50	5
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.60	4.65	5

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	16-12-2024	17-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.1	1.4	0.3
Reverse Repo	0	0	0
Repo	0.8	1.5	0.7

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-12-2024	16-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	328.3	224.8	(103.5)
Debt	(17.9)	202.5	220.4
Equity	346.1	22.3	(323.8)
Mutual funds (Rs cr)	712.9	(6,355.2)	(7,068.1)
Debt	(1,932.7)	(6,301.8)	(4,369.2)
Equity	2,645.6	(53.4)	(2,699.0)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 12 Dec and 13 Dec 2024

- Oil prices fell further, as fear of weak demand looms.

Fig 7 – Commodities

	16-12-2024	17-12-2024	% change
Brent crude (US\$/bbl)	73.9	73.2	(1.0)
Gold (US\$/ Troy Ounce)	2,652.7	2,646.8	(0.2)
Copper (US\$/ MT)	8,942.5	8,869.0	(0.8)
Zinc (US\$/MT)	3,030.3	3,008.6	(0.7)
Aluminium (US\$/MT)	2,566.5	2,542.5	(0.9)

Source: Bloomberg, Bank of Baroda Research



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