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ECONOMIST

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US core PCE index rose at a softer pace of 0.1% in Nov'24 after advancing by 0.3% last month (MoM), providing further cues of moderating price pressures. Consumer spending however remained robust, increasing by 0.4% vs. 0.3% in Oct'24. The data reinforced Fed's assertion of economic resilience and slowing price pressures and thus vindicates the case for fewer rate cuts. Separately, the US Senate passed the government spending bill in a last-minute deal, averting a possible shutdown. In Japan, the government issued fresh salvo to defend the currency, stating that it stands ready to curb speculative moves. In India, RBI's minutes highlighted the need for growth inflation balance. A durable moderation in inflation would give the MPC the needed comfort to move on rates. Global markets are likely to trade in narrow ranges this week, amidst lower trading due to year-end holidays.

- Barring US stocks, global indices ended lower amidst thin trading ahead of the holiday season. Some moderation in personal income data in the US has contributed to sentiment driven pull in major US stocks. In Asia, Nikkei declined by 0.3% awaiting minutes of BoJ's meeting. Sensex was dragged by tech and auto stocks. It is however, trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	19-12-2024	20-12-2024	Change, %
Dow Jones	42,342	42,840	1.2
S & P 500	5,867	5,931	1.1
FTSE	8,105	8,085	(0.3)
Nikkei	38,814	38,702	(0.3)
Hang Seng	19,753	19,721	(0.2)
Shanghai Comp	3,370	3,368	(0.1)
Sensex	79,218	78,042	(1.5)
Nifty	23,952	23,588	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended broadly stronger against the dollar. DXY eased from a ~2-year high, as investors assessed the PCE report and developments surrounding the government spending bill. JPY rose the most by 0.7%. INR recovered from its record low and appreciated by 0.1%. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	19-12-2024	20-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0363	1.0430	0.6
GBP/USD (1 GBP / USD)	1.2502	1.2570	0.5
USD/JPY (JPY / 1 USD)	157.44	156.31	0.7
USD/INR (INR / 1 USD)	85.08	85.02	0.1
USD/CNY (CNY / 1 USD)	7.2958	7.2954	0

Source: Bloomberg, Bank of Baroda



- Global yields closed lower. Softer core PCE data in the US released last week continued to build up hopes of momentum in monetary stimulus from the Fed. 10Y yield in UK fell at the sharpest pace by 7bps as retail sales prior to holiday month softened. India's 10Y yield closed flat. It is trading lower at 6.77% today.

Fig 3 – Bond 10Y yield

	19-12-2024	20-12-2024	Change, bps
US	4.56	4.52	(4)
UK	4.58	4.51	(7)
Germany	2.31	2.29	(2)
Japan	1.08	1.06	(1)
China	1.76	1.72	(4)
India	6.79	6.79	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-12-2024	20-12-2024	change in bps
Tbill-91 days	6.47	6.47	0
Tbill-182 days	6.65	6.65	0
Tbill-364 days	6.64	6.64	0
G-Sec 2Y	6.73	6.73	0
India OIS-2M	6.67	6.67	0
India OIS-9M	6.56	6.57	1
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.57	4.30	(27)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-12-2024	20-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.6	0
Reverse Repo	0	0	0
Repo	2.0	2.0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-12-2024	19-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(238.7)	5.2	243.9
Debt	(130.1)	98.5	228.6
Equity	(108.6)	(93.2)	15.4
Mutual funds (Rs cr)	(578.0)	2,177.8	2,755.8
Debt	(2,667.6)	(1,229.5)	1,438.1
Equity	2,089.6	3,407.3	1,317.8

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 17 Dec and 18 Dec 2024

- Oil prices inched up amidst expectations of revival of demand from China.

Fig 7 – Commodities

	19-12-2024	20-12-2024	% change
Brent crude (US\$/bbl)	72.9	72.9	0.1
Gold (US\$/ Troy Ounce)	2,594.0	2,622.9	1.1
Copper (US\$/ MT)	8,770.4	8,832.9	0.7
Zinc (US\$/MT)	2,942.1	2,949.7	0.3
Aluminium (US\$/MT)	2,507.0	2,534.5	1.1

Source: Bloomberg, Bank of Baroda Research



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