

## MORNING MOCHA

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US core capital goods orders, a proxy for business investment plans, rebounded strongly in Nov'24 and increased by 0.7%. This followed a 0.1% decline in Oct'24. New home sales also increased by 5.9% in Nov'24, after declining by 14.8% in Oct'24. However, Conference Board's consumer confidence index plunged to 104.7 in Dec'24 (est. 113.2) from 112.8 last month. In UK, GDP growth estimate for Q3 CY24 was revised to 0% from 0.1% estimated earlier. Even for Q2 CY24, growth estimate was revised to 0.4% from 0.5%, suggesting continued weakness in the economy. Minutes of BoJ's Oct'24 policy reflected that while the members remained positive on domestic economic conditions, they flagged risks to the outlook from external factors. In India, domestic liquidity remained tight due to advance tax payments, even as the RBI conducted VRR auctions to manage liquidity situation.

- Barring China, global indices ended higher. Nikkei rose the most amidst ongoing speculation over movement in JPY ahead of BoJ Governor's speech. Hang Seng and S&P 500 firmed up buoyed by a rally in technology stocks. Sensex was supported by gains in real estate and banking stocks. It is however, trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	20-12-2024	23-12-2024	Change, %
Dow Jones	42,840	42,907	0.2
S & P 500	5,931	5,974	0.7
FTSE	8,085	8,103	0.2
Nikkei	38,702	39,161	1.2
Hang Seng	19,721	19,883	0.8
Shanghai Comp	3,368	3,351	(0.5)
Sensex	78,042	78,540	0.6
Nifty	23,588	23,753	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended weaker. DXY rose by 0.4% to hover around a 2-year high as investors assess Fed's rate trajectory. JPY declined the most awaiting a rate hike by BoJ. GBP depreciated as UK's GDP growth stalled in Q3 CY24. INR depreciated to a fresh low of 85.12/\$ led by strong dollar demand from importers. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	20-12-2024	23-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0430	1.0405	(0.2)
GBP/USD (1 GBP / USD)	1.2570	1.2536	(0.3)
USD/JPY (JPY / 1 USD)	156.31	157.17	(0.5)
USD/INR (INR / 1 USD)	85.02	85.12	(0.1)
USD/CNY (CNY / 1 USD)	7.2954	7.2960	0

Source: Bloomberg, Bank of Baroda



- Except China and India, global yields closed higher. Portfolio realignment in favour of equity seems likely amidst an interplay of macro and political factors. This ranges from speculation of a stricter tariff regime to ongoing macro dynamics of growth and inflation. US 10Y yield rose the most. India's 10Y yield fell a tad and is trading higher at 6.78% today.

**Fig 3 – Bond 10Y yield**

	20-12-2024	23-12-2024	Change, bps
US	4.52	4.59	6
UK	4.51	4.55	4
Germany	2.29	2.32	4
Japan	1.06	1.08	1
China	1.72	1.71	(1)
India	6.79	6.77	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	20-12-2024	23-12-2024	change in bps
Tbill-91 days	6.47	6.44	(3)
Tbill-182 days	6.65	6.61	(4)
Tbill-364 days	6.64	6.60	(4)
G-Sec 2Y	6.73	6.72	(1)
India OIS-2M	6.67	6.66	(1)
India OIS-9M	6.57	6.53	(4)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	20-12-2024	23-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	2.4	0.8
Reverse Repo	0	0	0
Repo	2.0	2.3	0.3

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	19-12-2024	20-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	5.2	(51.3)	(56.5)
Debt	98.5	168.8	70.4
Equity	(93.2)	(220.1)	(126.9)
Mutual funds (Rs cr)	169.1	1,383.6	1,214.5
Debt	(2,608.2)	665.0	3,273.2
Equity	2,777.3	718.6	(2,058.7)

Source: Bloomberg, Bank of Baroda Research

- Oil prices ended marginally weaker on demand concerns amidst higher supply.

**Fig 7 – Commodities**

	20-12-2024	23-12-2024	% change
Brent crude (US\$/bbl)	72.9	72.6	(0.4)
Gold (US\$/ Troy Ounce)	2,622.9	2,612.6	(0.4)
Copper (US\$/ MT)	8,832.9	8,801.5	(0.4)
Zinc (US\$/MT)	2,949.7	2,967.1	0.6
Aluminium (US\$/MT)	2,534.5	2,527.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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