

## MORNING MOCHA

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ECONOMIST

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In the coming days, investors will turn their focus towards the US jobs report which might offer some guidance on the strength of the economy. Furthermore, earnings report for Q4 and upcoming PMI data will also test the market. On domestic front, India's CAD narrowed down to 1.2% of GDP in Q2FY25 from 1.3% in Q2FY24. Though, the trade deficit was higher at US\$ 75.3bn (US\$ 64.5bn for Q2FY24) which is largely led by acceleration in gold imports. Capital account surplus increased to US\$ 11.9bn (US\$ 10.3bn in Q2FY24). With this, the overall BoP registered an accretion of US\$ 18.6bn in Q2FY25 against an increase of US\$ 2.5bn in Q2FY24. This was supported by robust inflows from FPIs, ECBs and NRI deposits.

- Global indices ended mixed in a holiday shortened week. US indices closed in the red amidst a broad-based sell-off. Sharp losses were noted across all the 11 sectors for S&P 500; consumer discretionary and IT stocks dropped the most. Nikkei surged to a 5-month high amidst expectation of better corporate growth in the New Year, especially in the auto industry. Sensex edged up with gains in auto stocks. However, it is trading lower today in line with other Asian stocks.

**Fig 1 – Stock markets**

	26-12-2024	27-12-2024	Change, %
Dow Jones	43,326	42,992	(0.8)
S & P 500	6,038	5,971	(1.1)
FTSE	8,137	8,150	0.2
Nikkei	39,568	40,281	1.8
Hang Seng	20,098	20,090	0
Shanghai Comp	3,398	3,400	0.1
Sensex	78,472	78,699	0.3
Nifty	23,750	23,813	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by (-) 0.1%, despite increase in US 10Y yields. GBP and JPY gained, supported by increase in their respective treasury yields. Rise in Tokyo CPI and industrial production in Japan, has revived chances of a rate hike by BoJ. INR depreciated notably. However, it is trading stronger today in line with other Asian currencies.

**Fig 2 – Currencies**

	26-12-2024	27-12-2024	Change, %
EUR/USD (1 EUR / USD)	1.0422	1.0426	0
GBP/USD (1 GBP / USD)	1.2539	1.2578	0.3
USD/JPY (JPY / 1 USD)	157.99	157.87	0.1
USD/INR (INR / 1 USD)	85.27	85.54	(0.3)
USD/CNY (CNY / 1 USD)	7.2979	7.2961	0

Source: Bloomberg, Bank of Baroda



- Except India and China, other global 10Y yields inched up. Yields in Germany and UK rose the most, followed by US. Drop in US wholesale inventories signals economic resilience persists. In UK, analysts ignore BoE's slightly more dovish stance and expect fewer rate cuts in CY25 from both BoE and Fed. India's 10Y yield remains stable and is trading at unchanged levels even today.

**Fig 3 – Bond 10Y yield**

	26-12-2024	27-12-2024	Change, bps
US	4.58	4.63	4
UK	4.58	4.63	6
Germany	2.32	2.40	7
Japan	1.10	1.13	3
China	1.73	1.70	(3)
India	6.78	6.79	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	26-12-2024	27-12-2024	change in bps
Tbill-91 days	6.55	6.67	12
Tbill-182 days	6.69	6.69	0
Tbill-364 days	6.68	6.69	1
G-Sec 2Y	6.73	6.73	0
India OIS-2M	6.65	6.64	(1)
India OIS-9M	6.54	6.55	1
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.31	4.40	9

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	26-12-2024	27-12-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.9	1.9	0
Reverse Repo	0	0	0
Repo	3.0	0	(3.0)

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	24-12-2024	26-12-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(248.7)	(39.9)	208.8
Debt	(36.9)	146.9	183.8
Equity	(211.8)	(186.7)	25.0
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 | Note: Mutual Funds data as of 19 Dec and 20 Dec 2024

- Oil prices rose, following news of decline in US crude inventories.

**Fig 7 – Commodities**

	26-12-2024	27-12-2024	% change
Brent crude (US\$/bbl)	73.3	74.2	1.2
Gold (US\$/ Troy Ounce)	2,633.6	2,621.4	(0.5)
Copper (US\$/ MT)	8,845.8	8,871.9	0.3
Zinc (US\$/MT)	3,029.8	3,014.5	(0.5)
Aluminium (US\$/MT)	2,565.0	2,558.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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