

MORNING MOCHA

07 February 2025

ECONOMIST

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Labour market in the US showed further signs of softening with jobless claims increasing to 219,000 (est. 213,000). Focus now shifts to US jobs report due later in the day. Market estimates US payrolls increasing at a softer pace of 170,000, after increasing 256,000 last month. The data is likely to play a key role in shaping the US monetary policy, even as Fed officials have reiterated the need for keeping rates at current levels amidst uncertainty over fiscal policies. In contrast, BoE cut its policy rate by 25bps to 4.5% with a 4-2 vote. The two dissenting members voted for a larger 50bps cut. Growth forecast for 2025 was revised sharply downwards to 0.75% from 1.5% earlier, while inflation was estimated to remain elevated and peak to 3.7% in Q3 2025. Analysts expect BoE to cut rates further by at least 2-3 times this year. In India, focus is on RBI's monetary policy with expectations of a 25bps rate cut.

- Except Dow Jones, global indices closed higher. Investors monitored flurry of corporate earnings and BoE's rate decision. Hang Seng rose to its highest since Nov'24 buoyed by technology stocks. Dow Jones edged down, as investors remained cautious ahead of US payrolls data. Sensex moderated, led by real estate stocks. It is trading lower today and Asian stocks are trading mixed.

Fig 1 – Stock markets

	05-02-2025	06-02-2025	Change, %
Dow Jones	44,873	44,748	(0.3)
S & P 500	6,061	6,084	0.4
FTSE	8,623	8,727	1.2
Nikkei	38,831	39,067	0.6
Hang Seng	20,597	20,892	1.4
Shanghai Comp	3,229	3,271	1.3
Sensex	78,271	78,058	(0.3)
Nifty	23,696	23,603	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies depreciated against the dollar. GBP declined the most after BoE delivered another rate cut. On the other hand, expectations of a tighter monetary policy buoyed JPY to a ~2-month high. INR slipped to a new historic low amidst persisting selling pressure from FPIs. It is trading marginally stronger today, in line with Asian currencies.

Fig 2 – Currencies

	05-02-2025	06-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0403	1.0383	(0.2)
GBP/USD (1 GBP / USD)	1.2505	1.2435	(0.6)
USD/JPY (JPY / 1 USD)	152.61	151.41	0.8
USD/INR (INR / 1 USD)	87.46	87.58	(0.1)
USD/CNY (CNY / 1 USD)	7.2721	7.2852	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield inched up as unit labour cost data firmed up, reflecting stickiness in wages. UK's 10Y yield rose the most, despite BoE's rate cut, as future trajectory remains data dependent. China's 10Y yield softened as a few growth indicators continue to showed signs of strain. India's 10Y fell marginally and is trading at 6.65% today.

Fig 3 – Bond 10Y yield

	05-02-2025	06-02-2025	Change, bps
US	4.42	4.43	2
UK	4.44	4.49	5
Germany	2.37	2.38	1
Japan	1.29	1.28	(1)
China	1.62	1.60	(2)
India	6.66	6.66	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	05-02-2025	06-02-2025	Change, bps
Tbill-91 days	6.46	6.46	0
Tbill-182 days	6.57	6.52	(5)
Tbill-364 days	6.53	6.55	2
G-Sec 2Y	6.56	6.58	2
India OIS-2M	6.53	6.54	0
India OIS-9M	6.31	6.32	1
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.33	4.33	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-02-2025	06-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.5)	(0.7)	(0.2)
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-02-2025	05-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	376.3	(17.5)	(393.8)
Debt	258.1	114.1	(144.1)
Equity	118.2	(131.6)	(249.7)
Mutual funds (Rs cr)	(2,393.8)	(4,823.6)	(2,429.8)
Debt	(3,901.5)	(2,693.4)	1,208.1
Equity	1,507.8	(2,130.2)	(3,637.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 03 Feb and 04 Feb 2025

- Oil prices fell as the US President reiterated his stance on higher US supplies.

Fig 7 – Commodities

	05-02-2025	06-02-2025	Change, %
Brent crude (US\$/bbl)	74.6	74.3	(0.4)
Gold (US\$/ Troy Ounce)	2,867.2	2,856.3	(0.4)
Copper (US\$/ MT)	9,114.5	9,155.4	0.4
Zinc (US\$/MT)	2,726.4	2,769.0	1.6
Aluminium (US\$/MT)	2,616.0	2,619.0	0.1

Source: Bloomberg, Bank of Baroda Research



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