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THE FINANCIAL BREW

INDIAN MACRO NEWS :

December services PMI rises to 59.3 on high demand:



The purchasing managers' index (PMI) for the services sector in December 2024 rose to 59.3, up from 58.4 in November, signalling a robust growth in the sector on the back of continued demand buoyancy propelling new business inflows, higher output growth, encouraging companies to expand their workforce. This is a sharp contrast to the weakest reading for the year in the manufacturing sector at 56.4.

As per the HSBC services PMI, released on Monday, the services PMI rose to 59.3 in December marking the strongest expansion in the past four months. Underlying demand has been identified as the main driver of growth, with new orders climbing for the 41st consecutive month. The finance and insurance sectors led growth in the sector with the highest growth in new orders and business activity.

Revision in Gold Import numbers



Migration of SEZ (Special Economic Zones) data from NSDL software to the ICEGATE system for streamlined reporting of imports had caused double counting of gold imports. In May 2024, India started migrating from NSDL to ICEGATE (Indian Customs Electronic Gateway), which is the national portal of the Central Board of Indirect Taxes and Customs (CBIC). Double-counting implied imports into India and the clearances from SEZs (special economic zones) to domestic tariff areas (DTA) were counted twice due to technical glitches. Under the old NSDL system, imports into SEZs were earlier counted separately as the zones are treated as foreign entities for purposes of levy of customs duty.

The revision in trade data has resulted in a decrease in the trade deficit for November 2024 from \$37.84 billion to \$32.8 billion. The correction entailed a downward revision of gold import data for November 2024 by \$5 billion to \$9.84 billion, and by \$11.7 billion for the first 8 months of the ongoing financial year.

Banks Q3 FY25 preview



Systemic credit growth has declined to ~11.5% from the recent high of ~16% amid a slowdown in unsecured retail and demand moderation in certain other secured segments. Slower economic activity as reflected in a slower GDP growth print is closely watched and may drive growth moderation in Corporate/SME segments. Deposit growth has broadly followed a narrow range of 10-13% over the past 18 months and is up 7.8% YTD vs. the YTD credit growth of 7%. Further, deposit competition remains aggressive as many banks are focusing on improving their CD ratios, while competition from PSU banks is also picking up. CASA accretion remains a challenge as depositors are locking in money at higher term deposit rates ahead of a potential reversal in the rate cycle.

Mutual Fund folios reached a record high of 22.5 Crore



Mutual Fund folios hit at all-time high of 22,50,03,545 in December 2024, revealed the latest data released on Thursday by the Association of Mutual Funds in India (AMFI). Retail mutual fund folios (which include equity, hybrid, and solution-oriented Schemes) were at an all-time high of 17,89,93,911 for the month of December 2024, compared to 17,54,84,468 for the month of November 2024.

Systematic Investment Plans saw robust growth, with new registrations reaching 54.27 lakh, SIP AUM at Rs. 13,63,000 crore (US\$ 158.77 billion), and monthly SIP contributions hitting a record Rs. 26,459 crore reflecting investors growing commitment to long term financial goals. Equity mutual funds recorded a 14.5% jump in inflows, totalling Rs. 41,155 crore in December, compared to Rs. 35,943 crore in November 2024. This marks the 46th consecutive month of positive equity inflows since March 2021

US payrolls grew by 256,000 in December, unemployment rate falls to 4.1%



Nonfarm payrolls surged by 256,000 for the month, up from 212,000 in November and above the 155,000 forecast from the Dow Jones consensus, the Bureau of Labour Statistics reported Friday. The unemployment rate edged down to 4.1%, one-tenth of a point below expectations. An alternative measure that includes discouraged workers and those holding part-time positions for economic reasons moved down to 7.5%, a decrease of 0.2 percentage point and the lowest since June 2024.

At their December meeting, Fed officials deemed the labor market mostly healthy though slowing. The Fed voted at the meeting to lower its key borrowing rate by a quarter percentage point while indicating a slower pace of reductions ahead. Markets expect the Fed to hold pat at the meeting later this month, with futures pricing after the jobs report swinging to the expectation of just one cut this year. The market-implied probability of a single cut increased to 68.5% after the jobs report, according to the CME Group's FedWatch gauge.

COMMODITY PRICES



International gold prices decreased by 0.69% to close at \$2,620.56/Oz



International silver prices increased by 5.8% to close at \$31.31/Oz



International crude prices increased by 4.32% to close at \$79.76/bl

Indian Equity Benchmarks			
INDEX	10-Jan-25	3-Jan-25	Change%
SENSEX	77,378.91	79,223	-2.33%
NIFTY 50	23431.5	24,005	-2.39%
NIFTY Bank	48,734.15	50,989	-4.42%
Nifty IT	44609.5	43,727	2.02%
NIFTY Mid Cap 150	20253	21,419	-5.44%
NIFTY Small Cap 250	16833	17,973	-6.34%
US 10 Yr. bond yield	4.762	4.60	16.2 bps
India 10 Yr. bond yield	6.77	6.78	-1 bp%
INR/USD	86.165	85.76	0.47%

Latest Indian Economic Numbers			
Name	Value	Name	Value
Nominal GDP- Q2FY25	Rs 76.60 lakh crore	Nominal GDP- Q1FY25	Rs 77.31 lakh crore
CPI (Nov'24)	5.48%	CPI (Oct'24)	6.21%
WPI (Nov'24)	1.89%	WPI (Oct'24)	2.36%
Mfg. PMI (Dec'24)	56.4	Mfg. PMI (Nov'24)	56.5
FII Net Outflow – Week ended 10 th Jan		-16,854.25 Cr	
DII Net Inflow – Week ended 10 th Jan		21,682.76 Cr	
India Ex Reserves – Week ended 3 rd Jan		\$634.59bn	\$640.28bn