

MORNING MOCHA

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ECONOMIST

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Manufacturing PMI (ISM) in the US contracted for the 3rd straight month to 48.5 from 48.7 in Apr'25 raising concerns around manufacturing sector. Weaker demand and higher input cost impacted overall orders. In UK, manufacturing PMI inched up (46.4 from 45.4 in Apr'25) but remained below the 50 level threshold mark. Given the recent tax hikes and uncertainty pertaining to tariffs, contraction was noted across output and new orders as exports took a back seat. In China, manufacturing PMI (private-caixin) slipped in to contraction (48.3 from 50.4) led by sharp fall in demand. On the domestic front, India's manufacturing PMI eased to 57.6 in May'25 from 58.2 in Apr'25. Though, it continued to remain above the long run average (54.1). The intensification of cost price pressure along with the geopolitical conflict impacted the overall demand.

- Except US and UK, other global indices ended lower. US indices registered modest gains as investor turned their focus towards upcoming employment data. Nikkei slipped on the back of stronger Yen. Sensex declined with losses in metal stocks. It is trading weaker today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	30-05-2025	02-06-2025	Change, %
Dow Jones	42,270	42,305	0.1
S & P 500	5,912	5,936	0.4
FTSE	8,772	8,774	0
Nikkei	37,965	37,471	(1.3)
Hang Seng	23,290	23,158	(0.6)
Shanghai Comp	3,363	3,347	(0.5)
Sensex	81,451	81,374	(0.1)
Nifty	24,751	24,717	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: China's market was closed on 2 June

- Most global currencies appreciated against a weaker dollar. DXY fell by 0.6%, even as treasury yields rose. Aggressive stance of Trump administration on tariffs has revived stagflation fears. JPY gained the most, supported by safe haven demand. INR also rose, but it is trading lower today. Asian currencies are trading mixed.

Fig 2 – Currencies

	30-05-2025	02-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1347	1.1441	0.8
GBP/USD (1 GBP / USD)	1.3459	1.3544	0.6
USD/JPY (JPY / 1 USD)	144.02	142.71	0.9
USD/INR (INR / 1 USD)	85.58	85.39	0.2
USD/CNY (CNY / 1 USD)	7.1859	7.1989	(0.2)
DXY Index	99.33	98.71	(0.6)

Source: Bloomberg, Bank of Baroda Research | Note: China's market was closed on 2 June



- Major global 10Y yields closed higher. US 10Y was up by 4bps, as investors monitor deteriorating relations between US and China. UK's 10Y yield was impacted by rising house prices in the country. India's 10Y yield fell by 2bps, and is trading flat today, ahead of RBI's rate cut decision later this week. The new benchmark security is trading higher at 6.22% today.

Fig 3 – Bond 10Y yield

	30-05-2025	02-06-2025	Change, bps
US	4.40	4.44	4
UK	4.65	4.67	2
Germany	2.50	2.52	2
Japan	1.50	1.51	1
China	1.72	1.71	(1)
India	6.29	6.27	(2)

Source: Bloomberg, Bank of Baroda Research | Note: China's market was closed on 2 June

Fig 4 – Short term rates

	30-05-2025	02-06-2025	Change, bps
Tbill-91 days	5.60	5.61	1
Tbill-182 days	5.61	5.61	0
Tbill-364 days	5.60	5.61	1
G-Sec 2Y	5.71	5.71	0
India OIS-2M	5.67	5.66	(1)
India OIS-9M	5.60	5.58	(2)
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.33	4.35	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-05-2025	02-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.1	2.8	0.7
Reverse Repo	0	0	0
Repo*	0	0	0

Source: RBI, Bank of Baroda Research, *Includes LTRO

Fig 6 – Capital market flows

	29-05-2025	30-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	3,172.7	(1,771.1)	(4,943.8)
Debt	3,378.4	(1,185.7)	(4,564.1)
Equity	(205.6)	(585.4)	(379.7)
Mutual funds (Rs cr)	5,820.7	(1,370.8)	(7,191.5)
Debt	(1,057.2)	(3,037.7)	(1,980.5)
Equity	6,877.9	1,666.9	(5,211.0)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 28 May and 29 May 2025

- Oil prices rose, noting supply disruptions (wildfire in Canada) and weaker US\$.

Fig 7 – Commodities

	30-05-2025	02-06-2025	Change, %
Brent crude (US\$/bbl)	63.9	64.6	1.1
Gold (US\$/ Troy Ounce)	3289.3	3381.6	2.8
Copper (US\$/ MT)	9548.1	9668.0	1.3
Zinc (US\$/MT)	2596.6	2671.9	2.9
Aluminium (US\$/MT)	2444.0	2466.0	0.9

Source: Bloomberg, Bank of Baroda Research



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