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Global markets saw tentative trading as focus remained firmly on the ongoing trade negotiations between US and China. Easing trade tensions between the World's largest economies is likely to support investor sentiments and will be positive for the global growth outlook. Earlier, data showed a sharp 34.5% drop in China's exports to the US, the most since the Covid-19 pandemic. In the US, New York Fed survey noted a moderation in consumers' inflation expectations across the board.

Consumers' 1Y inflation expectations dipped to 3.2% from 3.6% earlier, while 3Y and 5Y inflation expectations also moderated to 3% (3.2% earlier) and 2.6% (2.7% earlier) respectively. Separately, BoJ Governor stated that more rate hikes are likely if inflation moves towards its 2% target. For now, markets expect the BoJ to hold rates steady in its meeting next week.

- Except Dow and FTSE, global stocks ended higher. Investors are pricing in optimistic outcome of second day of US-China trade talks, concerning technology and rare earth elements shipments. Hang Seng rose the most, followed by Nikkei. Sensex rose by 0.3%, as investor's sentiments remained upbeat. It is trading lower today while Asian stocks are trading higher.

Fig 1 – Stock markets

	06-06-2025	09-06-2025	Change, %
Dow Jones	42,763	42,762	0
S & P 500	6,000	6,006	0.1
FTSE	8,838	8,832	(0.1)
Nikkei	37,742	38,089	0.9
Hang Seng	23,793	24,181	1.6
Shanghai Comp	3,385	3,400	0.4
Sensex	82,189	82,445	0.3
Nifty	25,003	25,103	0.4

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended higher against the dollar. DXY declined by 0.3% as investors turned their focus towards US-China trade talks. JPY rose as bets of rate hike have increased. INR closed broadly unchanged. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	06-06-2025	09-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1397	1.1422	0.2
GBP/USD (1 GBP / USD)	1.3528	1.3551	0.2
USD/JPY (JPY / 1 USD)	144.85	144.57	0.2
USD/INR (INR / 1 USD)	85.64	85.63	0
USD/CNY (CNY / 1 USD)	7.1926	7.1794	0.2
DXY Index	99.19	98.94	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and India, global yields softened. US 10Y yield edged down as New York Fed's expectations moderated. Japan's 10Y yield firmed up as BoJ Governor expressed concerns over inflation deflecting its target. India's 10Y yield inched up as RBI decided to discontinue daily VRR. The new benchmark security is trading at 6.27% today.

Fig 3 – Bond 10Y yield

	06-06-2025	09-06-2025	Change, bps
US	4.51	4.47	(3)
UK	4.64	4.63	(1)
Germany	2.58	2.57	(1)
Japan	1.46	1.47	1
China	1.69	1.69	0
India	6.29	6.35	6

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-06-2025	09-06-2025	Change, bps
Tbill-91 days	5.36	5.32	(4)
Tbill-182 days	5.39	5.37	(2)
Tbill-364 days	5.40	5.36	(4)
G-Sec 2Y	5.61	5.64	3
India OIS-2M	5.38	5.39	1
India OIS-9M	5.46	5.47	1
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.29	4.29	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-06-2025	09-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.1	2.4	(0.7)
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	05-05-2025	06-06-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(55.0)	269.0	324.0
Debt	(60.8)	121.5	182.3
Equity	5.8	147.5	141.7
Mutual funds (Rs cr)	(6,072.2)	(1,702.5)	4,369.7
Debt	(7,595.2)	(3,046.6)	4,548.6
Equity	1,523.1	1,344.2	(178.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 4 Jun and 5 Jun 2025

- Oil prices rose further anticipating a positive outcome of US-China trade talks.

Fig 7 – Commodities

	06-06-2025	09-06-2025	Change, %
Brent crude (US\$/bbl)	66.5	67.0	0.9
Gold (US\$/ Troy Ounce)	3310.4	3326.2	0.5
Copper (US\$/ MT)	9762.8	9888.8	1.3
Zinc (US\$/MT)	2630.4	2614.5	(0.6)
Aluminium (US\$/MT)	2450.5	2479.0	1.2

Source: Bloomberg, Bank of Baroda Research



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