

MORNING MOCHA

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Global markets remained cautious ahead of the Aug-12 deadline for US-China trade truce. Market is pricing in some bit of extension in the time frame. Apart from this, expectation also centred around talks between US and Russia on Ukraine issue. A host of macro releases are also scheduled this week, with US core CPI expected to show some momentum in Jul'25. This is in the wake of higher import duty expected to be passed on to consumers especially in recreational goods. A higher print may again raise doubts over likely rate cut by Fed in Sep'25. On the other hand, Fed Governor Michelle Bowman hinted at proactive rate cuts amidst weakness in labour market conditions. On domestic front, market will closely monitor for any trade related developments between US and India. The upcoming CPI data is expected to provide some breather.

- Global indices ended mixed. Stocks in US edged up amidst increasing expectations of softer Fed policy. S&P 500 closed at a record high. Nikkei too rose led by gains in heavy industries and technology stocks. Sensex edged down, led by losses in real estate and metal stocks. However, it is trading higher today, tracking Asian stocks.

Fig 1 – Stock markets

	07-08-2025	08-08-2025	Change, %
Dow Jones	43,969	44,176	0.5
S & P 500	6,340	6,389	0.8
FTSE	9,101	9,096	(0.1)
Nikkei	41,059	41,820	1.9
Hang Seng	25,082	24,859	(0.9)
Shanghai Comp	3,640	3,635	(0.1)
Sensex	80,623	79,858	(0.9)
Nifty	24,596	24,363	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY declined 0.2% amidst building expectations of a Fed rate cut in Sep'25. JPY declined the most by 0.4%, even as BoJ minutes hinted at a hawkish stance. INR ended marginally stronger. It is trading further stronger today, in line with other major Asian currencies.

Fig 2 – Currencies

	07-08-2025	08-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1666	1.1641	(0.2)
GBP/USD (1 GBP / USD)	1.3444	1.3452	0.1
USD/JPY (JPY / 1 USD)	147.14	147.74	(0.4)
USD/INR (INR / 1 USD)	87.71	87.66	0.1
USD/CNY (CNY / 1 USD)	7.1814	7.1802	0
DXY Index	98.40	98.18	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China, global 10Y yields showed some upward momentum. 10Y yield in UK has risen the most as BoE Chief Economist has hinted at pause in future rate cuts. US 10Y yield also firmed up ahead of CPI data. India's 10Y yield also rose by 3bps amidst fear of higher tariff rate. It is trading flat today.

Fig 3 – Bond 10Y yield

	07-08-2025	08-08-2025	Change, bps
US	4.25	4.28	3
UK	4.55	4.60	5
Germany	2.63	2.69	6
Japan	1.49	1.49	0
China	1.70	1.70	0
India	6.39	6.41	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-08-2025	08-08-2025	Change, bps
Tbill-91 days	5.43	5.43	0
Tbill-182 days	5.49	5.49	0
Tbill-364 days	5.61	5.61	0
G-Sec 2Y	5.73	5.74	0
India OIS-2M	5.46	5.48	2
India OIS-9M	5.46	5.47	1
SONIA int rate benchmark	4.22	3.97	(25)
US SOFR	4.34	4.35	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-08-2025	08-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.5	3.1	(0.4)
Reverse Repo	2.4	0	(2.4)
Repo*	0	0	0

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

Fig 6 – Capital market flows

	06-08-2025	07-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(464.1)	(604.9)	(140.8)
Debt	37.4	24.5	(12.9)
Equity	(501.5)	(629.4)	(127.9)
Mutual funds (Rs cr)	(3,255.7)	(1,448.0)	1,807.7
Debt	(5,356.5)	(7,158.2)	(1,801.7)
Equity	2,100.8	5,710.3	3,609.4

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 5 Aug and 6 Aug 2025

- Oil prices rose marginally ahead of a key meeting between Russia and US.

Fig 7 – Commodities

	07-08-2025	08-08-2025	Change, %
Brent crude (US\$/bbl)	66.4	66.6	0.2
Gold (US\$/ Troy Ounce)	3,396.4	3,397.8	0
Copper (US\$/ MT)	9,618.9	9,692.5	0.8
Zinc (US\$/MT)	2,808.7	2,826.8	0.6
Aluminium (US\$/MT)	2,610.0	2,609.0	0

Source: Bloomberg, Bank of Baroda Research



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