

## MORNING MOCHA

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Global market signalled some resilience given the evolving conditions around the ongoing announcements of new tariffs on steel and aluminium, which will kick off in Mar'25. The impact of these tariffs can put upside pressure on inflation. Fed chair's upcoming testimony might offer some guidance on all these fronts. Amidst such uncertainty, gold prices hit an all-time high with countries rushing to buy physical gold before the announcement of any new tariffs. Separately, Eurozone Sentix investor confidence index improved to -12.7 in Feb'25 (from -17.7 in Jan'25). The pickup in investor morale is highest since Jul'24 with an improvement in outlook for Germany, ahead of the key Federal election. Markets will closely track US CPI, growth forecast of UK and quarterly GDP estimates for Europe this week.

- Barring domestic market, other global indices closed higher shrugging off any possible concerns surrounding the tariff wars. Amongst other indices, Hang Seng advanced the most followed by FTSE and supported by gains in precious metal stocks. Sensex continued to remain under pressure amidst FII outflows, sharp losses were noted in real estate and consumer durable stocks. It is trading lower today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	07-02-2025	10-02-2025	Change, %
Dow Jones	44,303	44,470	0.4
S & P 500	6,026	6,066	0.7
FTSE	8,701	8,768	0.8
Nikkei	38,787	38,801	0
Hang Seng	21,134	21,522	1.8
Shanghai Comp	3,304	3,322	0.6
Sensex	77,860	77,312	(0.7)
Nifty	23,560	23,382	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Major global currencies depreciated against the US\$. DXY rose by another 0.3%. JPY, GBP and EUR fell the most as US imposed 25% tariff on all its steel and aluminium imports. Japan and Germany are some of the major suppliers of steel to the US. INR depreciated as oil prices inched up. However, it is trading much higher today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	07-02-2025	10-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0328	1.0307	(0.2)
GBP/USD (1 GBP / USD)	1.2402	1.2368	(0.3)
USD/JPY (JPY / 1 USD)	151.41	152.00	(0.4)
USD/INR (INR / 1 USD)	87.43	87.48	(0.1)
USD/CNY (CNY / 1 USD)	7.2947	7.3050	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield remained unchanged, while in UK and Germany it declined. In Asia, yields inched up. Analysts monitored US President's announcement of 25% tariff on steel and aluminium imports. India's 10Y yield rose by 1bps, tracking rise in oil prices. However, following global cues, it is trading lower at 6.69% today.

**Fig 3 – Bond 10Y yield**

	07-02-2025	10-02-2025	Change, bps
US	4.49	4.50	0
UK	4.48	4.46	(2)
Germany	2.37	2.36	(1)
Japan	1.30	1.32	1
China	1.61	1.63	3
India	6.70	6.71	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	07-02-2025	10-02-2025	Change, bps
Tbill-91 days	6.40	6.41	1
Tbill-182 days	6.52	6.52	0
Tbill-364 days	6.52	6.52	0
G-Sec 2Y	6.59	6.61	2
India OIS-2M	6.50	6.49	0
India OIS-9M	6.34	6.35	1
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.36	4.35	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	10-02-2025	10-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.1)	(2.0)	(0.9)
Reverse Repo	0	0	0
Repo	0	0.5	0.5

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	06-02-2025	07-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(122.0)	(6.8)	115.2
Debt	288.5	47.3	(241.2)
Equity	(410.5)	(54.0)	356.5
Mutual funds (Rs cr)	(3,756.2)	(3,114.6)	641.6
Debt	(4,441.4)	(4,360.3)	81.1
Equity	685.2	1,245.7	560.5

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 05 Feb and 06 Feb 2025

- Oil prices rose, tracking sanctions on Iran and supplies to China.

**Fig 7 – Commodities**

	07-02-2025	10-02-2025	Change, %
Brent crude (US\$/bbl)	74.7	75.9	1.6
Gold (US\$/ Troy Ounce)	2,861.1	2,908.3	1.6
Copper (US\$/ MT)	9,287.6	9,330.0	0.5
Zinc (US\$/MT)	2,792.0	2,797.4	0.2
Aluminium (US\$/MT)	2,628.0	2,658.5	1.2

Source: Bloomberg, Bank of Baroda Research



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