

MORNING MOCHA

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Trade tensions were once again reignited as the US President announced 35% tariff on Canada, with a few exceptions. This was higher than the 25% tariff which was announced earlier. The President also threatened to increase the tariff rate further, if Canada chooses to retaliate. Alongside, it was also proposed to impose blanket tariffs on almost all trading partners to be applicable from 1 Aug 2025. The proposed tariff is likely to range between 15-20%. Separately, US jobless claims for the week ended 5 July 2025 fell to 227,000 (est. 235,000), providing evidence of a strong labour market. Inflation in Germany dipped to 2% in Jun'25 from 2.1% in May'25, led by lower energy and food prices. In India, RBI announced a 7-day VRRR auction of Rs. 2.5 lakh crores as liquidity continues to remain in surplus.

- Except Nikkei, other global stocks ended higher. Traders are gradually absorbing tariff related woes and awaiting more clarity before 1 Aug deadline. FTSE rose the most. Stocks in Asia were supported by dovish comments from some Fed officials. Sensex moderated, dragged down by technology stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	09-07-2025	10-07-2025	Change, %
Dow Jones	44,458	44,651	0.4
S & P 500	6,263	6,280	0.3
FTSE	8,867	8,976	1.2
Nikkei	39,821	39,646	(0.4)
Hang Seng	23,892	24,028	0.6
Shanghai Comp	3,493	3,510	0.5
Sensex	83,536	83,190	(0.4)
Nifty	25,476	25,355	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies continued to trade range bound as focus remained on US tariff policies. DXY rose marginally by 0.1% as US jobless claims declined. EUR depreciated the most by 0.2%, on tariff concerns. INR ended flat. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	09-07-2025	10-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1720	1.1701	(0.2)
GBP/USD (1 GBP / USD)	1.3586	1.3579	(0.1)
USD/JPY (JPY / 1 USD)	146.33	146.26	0
USD/INR (INR / 1 USD)	85.68	85.65	0
USD/CNY (CNY / 1 USD)	7.1807	7.1782	0
DXY Index	97.56	97.65	0.1

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield inched up as jobless claims softened. Germany's 10Y yield also rose, despite a moderation in CPI. UK's 10Y yield declined as house price data showed some loss in momentum in economic activity. India's 10Y yield closed flat. RBI announced a higher quantum of VRRR as liquidity remains above 1% NDTL surplus level. 10Y yield is trading at 6.33% today.

Fig 3 – Bond 10Y yield

	09-07-2025	10-07-2025	Change, bps
US	4.33	4.35	2
UK	4.61	4.60	(2)
Germany	2.67	2.71	3
Japan	1.51	1.50	(1)
China	1.65	1.66	1
India	6.31	6.32	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	09-07-2025	10-07-2025	Change, bps
Tbill-91 days	5.37	5.36	(1)
Tbill-182 days	5.52	5.48	(4)
Tbill-364 days	5.57	5.53	(4)
G-Sec 2Y	5.69	5.70	1
India OIS-2M	5.42	5.42	0
India OIS-9M	5.49	5.49	0
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.34	4.32	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	09-07-2025	10-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.3	3.2	(0.1)
Reverse Repo	1.0	1.0	0
Repo*	0	1.0	1.0

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

Fig 6 – Capital market flows

	08-07-2025	09-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	91.5	20.4	(71.1)
Debt	58.3	(57.9)	(116.2)
Equity	33.2	78.4	45.2
Mutual funds (Rs cr)	2,232.0	991.5	(1,240.5)
Debt	1,039.7	(361.3)	(1,401.0)
Equity	1,192.3	1,352.8	160.5

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 07 Jul and 08 Jul 2025

- Oil prices declined as tariff tensions dampened demand prospects.

Fig 7 – Commodities

	09-07-2025	10-07-2025	Change, %
Brent crude (US\$/bbl)	70.2	68.6	(2.2)
Gold (US\$/ Troy Ounce)	3,313.7	3,324.1	0.3
Copper (US\$/ MT)	9,652.9	9,699.6	0.5
Zinc (US\$/MT)	2,744.5	2,781.7	1.4
Aluminium (US\$/MT)	2,596.5	2,607.5	0.4

Source: Bloomberg, Bank of Baroda Research



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