

MORNING MOCHA

12 June 2025

ECONOMIST

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CPI inflation in the US moderated to 0.1% in May'25 (est. 0.2%), after increasing 0.2% in Apr'25 (MoM). This was led by a drop in gasoline prices, even as prices of food and shelter increased. Core CPI (ex. food and energy) also decelerated from 0.2% in Apr'25, to 0.1% in May'25. The moderation in CPI despite higher tariffs has raised the likelihood of a restart in Fed rate cut cycle. The probability of a rate cut in Sep'25 has increased to 60% from ~53% on 10 Jun 2025. Separately, investors also monitored comments from US and China on the recently concluded trade talks, while awaiting the fine print of the agreement. However, a flare up in geo-political tensions in the Middle East might dent risk sentiments. In India, CPI inflation is expected to moderate to 2.7% in May'25 (BoB Estimate), led by softening food inflation.

- US stocks showed pessimism as softer inflation print in the US raised concerns of meagre outlook on growth. Asian stocks got support from the positive outcome of US-China trade deal. Hang Seng rose the most driven by a rally in EV and technology stocks. Sensex inched up a tad. It is trading higher today, while Asian stocks are trading lower.

Fig 1 – Stock markets

	10-06-2025	11-06-2025	Change, %
Dow Jones	42,867	42,866	0
S & P 500	6,039	6,022	(0.3)
FTSE	8,853	8,864	0.1
Nikkei	38,212	38,421	0.5
Hang Seng	24,163	24,367	0.8
Shanghai Comp	3,385	3,402	0.5
Sensex	82,392	82,515	0.1
Nifty	25,104	25,141	0.1

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies appreciated against the dollar. DXY fell by 0.5% as a moderation in CPI has paved the way for Fed rate cuts. Amongst major currencies, EUR gained the most by 0.5%. INR too appreciated by 0.1%. It is trading further higher today, in line with other Asian currencies.

Fig 2 – Currencies

	10-06-2025	11-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1425	1.1487	0.5
GBP/USD (1 GBP / USD)	1.3500	1.3547	0.3
USD/JPY (JPY / 1 USD)	144.87	144.56	0.2
USD/INR (INR / 1 USD)	85.62	85.52	0.1
USD/CNY (CNY / 1 USD)	7.1878	7.1903	0
DXY Index	99.10	98.63	(0.5)

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield fell the most tracking a moderation in US CPI. Elsewhere, 10Y yields traded in a narrow range. India's 10Y yield inched up a tad. The cut off yield of T-bill papers have come off which hint at lower short-term rates. The new benchmark 10Y security is trading at 6.3% today. Any sharp drop in CPI data might lend support.

Fig 3 – Bond 10Y yield

	10-06-2025	11-06-2025	Change, bps
US	4.47	4.42	(5)
UK	4.54	4.55	1
Germany	2.52	2.54	1
Japan	1.48	1.47	(1)
China	1.69	1.69	(1)
India	6.36	6.37	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	10-06-2025	11-06-2025	Change, bps
Tbill-91 days	5.37	5.36	(1)
Tbill-182 days	5.41	5.42	1
Tbill-364 days	5.36	5.49	13
G-Sec 2Y	5.68	5.78	10
India OIS-2M	5.43	5.47	4
India OIS-9M	5.52	5.56	4
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.29	4.28	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	10-06-2025	11-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	2.6	0
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	09-05-2025	10-06-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	136.3	302.4	166.1
Debt	(145.8)	(57.2)	88.6
Equity	282.1	359.6	77.5
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 to ~3-month high amidst escalating tensions in the Middle East.

Fig 7 – Commodities

	10-06-2025	11-06-2025	Change, %
Brent crude (US\$/bbl)	66.9	69.8	4.3
Gold (US\$/ Troy Ounce)	3323.7	3355.1	0.9
Copper (US\$/ MT)	9840.6	9703.5	(1.4)
Zinc (US\$/MT)	2624.5	2621.4	(0.1)
Aluminium (US\$/MT)	2492.5	2515.5	0.9

Source: Bloomberg, Bank of Baroda Research



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