

MORNING MOCHA

13 August 2025

ECONOMIST

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Global markets monitored host of macro releases. In the US, CPI rose at a stable pace albeit some momentum in core inflation. On YoY basis, CPI and core CPI reading came in at 2.7% and 3.1% respectively, in Jul'25. The moderate pace of increase in inflation has raised higher expectations (94% probability as per CMIE Fed watch) of rate cut in Sep'25. In another print, US tariff revenue rose to a monthly record high level in Jul'25 with custom duties climbing to US\$ 28bn, a 273% jump on YoY basis. Elsewhere in UK, unemployment data remained steady with average weekly earnings showing some softening. In Japan, PPI picked up, thus signifying some stickiness in prices as highlighted by BoJ earlier. On domestic front, CPI got breather with food index in deflation territory for 2nd month in a row.

- Except India, stocks elsewhere closed higher. Probability of a Fed rate cut in Sep'25 rose to over 90% after CPI report, pushing US stocks higher. Extension of US-China trade truce also supported investor sentiments. Nikkei rose the most by 2.1% to a record high. Sensex ended weaker with losses in banking stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	11-08-2025	12-08-2025	Change, %
Dow Jones	43,975	44,459	1.1
S & P 500	6,373	6,446	1.1
FTSE	9,130	9,148	0.2
Nikkei	41,820	42,718	2.1
Hang Seng	24,907	24,970	0.3
Shanghai Comp	3,648	3,666	0.5
Sensex	80,604	80,236	(0.5)
Nifty	24,585	24,487	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended broadly stronger against the dollar. DXY dipped by 0.4% as rate cuts hope solidified after a weak US CPI report. Despite a dip in Germany's economic sentiment index (ZEW), EUR rose by 0.5%. INR dipped marginally tracking a weakness in FPI inflows. It is however trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	11-08-2025	12-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1615	1.1675	0.5
GBP/USD (1 GBP / USD)	1.3432	1.3500	0.5
USD/JPY (JPY / 1 USD)	148.15	147.84	0.2
USD/INR (INR / 1 USD)	87.66	87.71	(0.1)
USD/CNY (CNY / 1 USD)	7.1888	7.1814	0.1
DXY Index	98.52	98.10	(0.4)

Source: Bloomberg, Bank of Baroda Research



- Except US (stable), global yields inched up. UK's 10Y yield rose the most despite some softening in earnings data. In Germany as well yields firmed up over fiscal concerns and scope for additional borrowing. India's 10Y yield also edged by 5bps as fears of higher tariff rates faded hopes of further rate cut by RBI. It is trading higher at 6.51% today.

Fig 3 – Bond 10Y yield

	11-08-2025	12-08-2025	Change, bps
US	4.28	4.29	0
UK	4.57	4.63	6
Germany	2.70	2.74	5
Japan	1.49	1.50	1
China	1.72	1.73	1
India	6.44	6.49	5

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-08-2025	12-08-2025	Change, bps
Tbill-91 days	5.44	5.45	1
Tbill-182 days	5.51	5.53	2
Tbill-364 days	5.51	5.55	4
G-Sec 2Y	5.76	5.86	9
India OIS-2M	5.48	5.48	0
India OIS-9M	5.48	5.48	0
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.35	4.34	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	11-08-2025	12-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.8	2.6	(0.2)
Reverse Repo	1.5	1.9	0.4
Repo*	0	0	0

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

Fig 6 – Capital market flows

	08-08-2025	11-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	371.6	(82.3)	(453.9)
Debt	49.1	27.9	(21.2)
Equity	322.6	(110.1)	(432.7)
Mutual funds (Rs cr)	4,807.7	(1,434.9)	(6,242.6)
Debt	(4,295.7)	(7,524.7)	(3,229.0)
Equity	9,103.3	6,089.8	(3,013.5)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 7 Aug and 8 Aug 2025

- Oil prices ended weaker tracking higher US crude stockpiles.

Fig 7 – Commodities

	11-08-2025	12-08-2025	Change, %
Brent crude (US\$/bbl)	66.6	66.1	(0.8)
Gold (US\$/ Troy Ounce)	3,342.4	3,348.3	0.2
Copper (US\$/ MT)	9,648.3	9,753.4	1.1
Zinc (US\$/MT)	2,818.4	2,842.7	0.9
Aluminium (US\$/MT)	2,588.0	2,619.5	1.2

Source: Bloomberg, Bank of Baroda Research



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