

MORNING MOCHA

13 March 2025

ECONOMIST

Jahnvi Prabhakar

US inflation cooled down to 2.8% (4-month low) in Feb'25 against an increase of 3% in Jan'25. This was largely led by lower aviation and gasoline prices amidst weaker demand. Core inflation too moderated to 3.1% (lowest in over 4-years) in Feb'25 against 3.3% increase in Jan'25. Slower than expected inflation has reinforced expectations of Fed rate cut (pricing in 2-cuts this year). Separately, Bank of Canada reduced rates by 25bps to 2.75% noting the expected economic slowdown given the 'heightened trade tensions and tariffs imposed by the US'. In India, CPI inflation softened to 3.6% in Feb'25 (4.3% in Jan'25) and industrial production accelerated to 5% in Jan'25.

- Global equity indices ended mixed. Investors monitored cooler than expected US CPI data and the growing developments surrounding tariffs and retaliatory measures. Sensex ended in red with losses in IT and real estate stocks. However, it is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	11-03-2025	12-03-2025	Change, %
Dow Jones	41,433	41,351	(0.2)
S & P 500	5,572	5,599	0.5
FTSE	8,496	8,541	0.5
Nikkei	36,793	36,819	0.1
Hang Seng	23,782	23,600	(0.8)
Shanghai Comp	3,380	3,372	(0.2)
Sensex	74,102	74,030	(0.1)
Nifty	22,498	22,471	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except GBP and INR, other global currencies ended lower. DXY rose by 0.2%, supported by higher bond yields. Market volatility remains significantly high amidst Trump administration's tariff plans. Softer than expected US inflation print for Feb'25 also did not quell safe haven demand. INR ended flat, but is trading slightly stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	11-03-2025	12-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0919	1.0888	(0.3)
GBP/USD (1 GBP / USD)	1.2951	1.2963	0.1
USD/JPY (JPY / 1 USD)	147.78	148.25	(0.3)
USD/INR (INR / 1 USD)	87.21	87.21	0
USD/CNY (CNY / 1 USD)	7.2302	7.2379	(0.1)
DXY Index	103.42	103.61	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Figures in brackets indicate depreciation against the dollar

- Global yields closed mixed. 10Y yields in UK and US rose the most, as investors deal with uncertainty around US' tariff measures and renewed focus



on European imports. Further BoE is expected to keep rates on hold next week, amidst rising inflation. India's 10Y yield eased a tad, even as oil prices inched up. It is trading at the same level (6.68%) even today.

Fig 3 – Bond 10Y yield

	11-03-2025	12-03-2025	Change, bps
US	4.28	4.31	3
UK	4.67	4.72	5
Germany	2.90	2.88	(2)
Japan	1.52	1.52	1
China	1.95	1.85	(9)
India	6.70	6.68	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-03-2025	12-03-2025	Change, bps
Tbill-91 days	6.47	6.48	1
Tbill-182 days	6.56	6.59	3
Tbill-364 days	6.46	6.56	10
G-Sec 2Y	6.56	6.54	(2)
India OIS-2M	6.36	6.34	(2)
India OIS-9M	6.18	6.14	(4)
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.33	4.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	11-03-2025	12-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.4)	(1.4)	0
Reverse Repo	0.1	0.1	0
Repo*	1.8	1.8	0

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

Fig 6 – Capital market flows

	10-03-2025	11-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	2.4	210.5	208.1
Debt	59.5	226.4	166.9
Equity	(57.1)	(15.9)	41.2
Mutual funds (Rs cr)	(3,199.5)	(2,511.1)	688.4
Debt	(3,463.9)	(3,240.0)	223.9
Equity	264.4	728.9	464.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 6 Mar and 7 Mar 2025

- Oil prices rose, in line with other commodities, as trade war uncertainty remains.

Fig 7 – Commodities

	11-03-2025	12-03-2025	Change, %
Brent crude (US\$/bbl)	69.6	71.0	2.0
Gold (US\$/ Troy Ounce)	2915.9	2934.8	0.6
Copper (US\$/ MT)	9639.2	9751.6	1.2
Zinc (US\$/MT)	2883.5	2900.0	0.6
Aluminium (US\$/MT)	2703.0	2702.5	0

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com