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Global markets were buoyed by de-escalation in US-China trade war. While China agreed to reduce tariff on US imports to 10% (from 145%), US also lowered its tariffs on Chinese goods to 30% (from 145%), for a period of 90-days. Both the nations have agreed to continue negotiations on a possible trade deal. This was welcomed by Fed officials who stated that a trade deal will lower risks to economic growth. Separately, PPI inflation in China declined by 2.7% in Apr'25 compared with a decline of 2.5% in Mar'25. CPI inflation rose by 0.1% in Apr'25, after declining by 0.4% in Mar'25 (MoM). In the UK, BoE officials expressed concerns over rising inflationary risks. Focus this week shifts to US CPI and retail sales data, as well as progress on other trade deal. In India, markets remained upbeat tracking easing geo-political tensions.

- Global indices ended higher. US indices surged after reports of trade truce between US and China, as both countries agreed to lower tariffs for the span of 90 days. With this, investors have pared down rate cut expectations by the Fed. Amidst news of ceasefire, Sensex rallied with broad based gains across indices. However, it is trading lower today while Asian stocks are trading mixed.

Fig 1 – Stock markets

	09-05-2025	12-05-2025	Change, %
Dow Jones	41,249	42,410	2.8
S & P 500	5,660	5,844	3.3
FTSE	8,559	8,605	0.5
Nikkei	37,503	37,644	0.4
Hang Seng	22,868	23,549	3.0
Shanghai Comp	3,342	3,369	0.8
Sensex	79,454	82,430	3.7
Nifty	24,008	24,925	3.8

Source: Bloomberg, Bank of Baroda Research

- DXY and CNY rallied as US-China agreed on a trade deal to provide temporary relief on escalated tariffs. JPY depreciated the most as risk sentiment improved. EUR also depreciated. INR is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	09-05-2025	12-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1250	1.1087	(1.4)
GBP/USD (1 GBP / USD)	1.3306	1.3176	(1.0)
USD/JPY (JPY / 1 USD)	145.91	148.46	(1.7)
USD/INR (INR / 1 USD)	85.72	85.83	(0.1)
USD/CNY (CNY / 1 USD)	7.2382	7.2053	0.5
DXY Index	100.34	101.79	1.4

Source: Bloomberg, Bank of Baroda Research | Note: India's market was closed on 12 May 2025



- Except UK and India, other global yields ended higher as investors turned optimistic on announcement of US and China trade truce. Additionally, easing of geopolitical tensions also supported global yields. Germany's 10 yield climbed higher ahead of the release of Zew economic sentiment. India's 10Y yield is trading at 6.33% today, new benchmark security is trading at 6.29%.

Fig 3 – Bond 10Y yield

	09-05-2025	12-05-2025	Change, bps
US	4.38	4.46	8
UK	4.57	4.56	(2)
Germany	2.55	2.64	9
Japan	1.36	1.38	2
China	1.65	1.70	5
India	6.40	6.38	(2)

Source: Bloomberg, Bank of Baroda Research | Note: India's market was closed on 12 May 2025

Fig 4 – Short term rates

	07-05-2025	08-05-2025	Change, bps
Tbill-91 days	5.87	5.87	0
Tbill-182 days	5.88	5.87	(1)
Tbill-364 days	5.85	5.85	0
G-Sec 2Y	5.92	6.03	11
India OIS-2M	5.84	5.83	(1)
India OIS-9M	5.62	5.68	6
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.32	4.30	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	08-05-2025	09-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.3	1.7	0.4
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

Source: RBI, Bank of Baroda Research, *Includes LTRO | Note: India's market was closed on 12 May 2025

Fig 6 – Capital market flows

	07-05-2025	08-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	181.5	465.1	283.5
Debt	(167.5)	179.1	346.6
Equity	349.1	286.0	(63.1)
Mutual funds (Rs cr)	(2,069.3)	(8,906.3)	(6,837.0)
Debt	(5,113.7)	(7,235.1)	(2,121.5)
Equity	3,044.4	(1,671.1)	(4,715.5)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 5 May and 6 May 2025 | Note: India's market was closed on 12 May 2025

- Oil prices rose further on optimism surrounding US-China trade negotiations.

Fig 7 – Commodities

	09-05-2025	12-05-2025	Change, %
Brent crude (US\$/bbl)	63.9	65.0	1.6
Gold (US\$/ Troy Ounce)	3325.0	3236.9	(2.6)
Copper (US\$/ MT)	9441.2	9477.3	0.4
Zinc (US\$/MT)	2579.6	2586.3	0.3
Aluminium (US\$/MT)	2382.5	2412.5	1.3

Source: Bloomberg, Bank of Baroda Research



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