## MORNING MOCHA

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Global markets showed some momentum over rising expectations centering around Fed rate cut. Equity indices firmed up over easing financial conditions. Fixed income got support with US 10Y yield falling at the sharpest pace. US Treasury Secretary urged at least 150bps cut in Fed fund rate amidst weak labour market conditions. On macro front, US mortgage applications rose signalling some revival in real estate demand conditions. Germany's CPI print remained broadly steady. Elsewhere, reports stated that India and China are resuming border trade of local goods after 5 years. This is crucial in the wake of contemporary protectionist policies in place. In another news, Finance Ministry is considering ways for export promotion through simplified access of MSME credit, facilitating overseas warehousing and global branding to integrate India with global supply chain.

- Global stocks ended higher as risk-sentiments improved. In the US, investors have ramped up expectations of Fed rate cuts this year after a relatively muted CPI report. S&P 500, FTSE and Nikkei, all climbed to a record high. Sensex ended 0.4% higher as metal and auto stocks gained. It is trading further higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

| | 12-08-2025 | 13-08-2025 | Change, % |
|---|---|---|---|
| Dow Jones | 44,459 | 44,922 | 1.0 |
| S & P 500 | 6,446 | 6,467 | 0.3 |
| FTSE | 9,148 | 9,165 | 0.2 |
| Nikkei | 42,718 | 43,275 | 1.3 |
| Hang Seng | 24,970 | 25,614 | 2.6 |
| Shanghai Comp | 3,666 | 3,683 | 0.5 |
| Sensex | 80,236 | 80,540 | 0.4 |
| Nifty | 24,487 | 24,619 | 0.5 |

Source: Bloomberg, Bank of Baroda Research

- Global currencies gained at the expense of the dollar. DXY declined further as the US Treasury Secretary hinted at an outsized cut in Fed rates. EUR was 0.3% higher, tracking CPI print in Germany. INR too appreciated tracking global cues. It is trading further stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

| | 12-08-2025 | 13-08-2025 | Change, % |
|---|---|---|---|
| EUR/USD (1 EUR / USD) | 1.1675 | 1.1705 | 0.3 |
| GBP/USD (1 GBP / USD) | 1.3500 | 1.3576 | 0.6 |
| USD/JPY (JPY / 1 USD) | 147.84 | 147.38 | 0.3 |
| USD/INR (INR / 1 USD) | 87.71 | 87.49 | 0.2 |
| USD/CNY (CNY / 1 USD) | 7.1814 | 7.1766 | 0.1 |
| DXY Index | 98.10 | 97.84 | (0.3) |

Source: Bloomberg, Bank of Baroda Research

- Except Japan (tad higher), global yields closed lower. 10Y yield in major AEs got support from growing expectations of Fed rate cut. US and Germany's 10Y yield fell the most followed by UK. In Japan, weaker demand for 5-year bond sales and US Treasury Secretary's comments resulted in some upbeat momentum. India's 10Y yield fell a tad. It is trading at the same level today.

**Fig 3 – Bond 10Y yield**

| | 12-08-2025 | 13-08-2025 | Change, bps |
|---|---|---|---|
| US | 4.29 | 4.23 | (6) |
| UK | 4.63 | 4.59 | (4) |
| Germany | 2.74 | 2.68 | (6) |
| Japan | 1.50 | 1.51 | 1 |
| China | 1.73 | 1.73 | 0 |
| India | 6.49 | 6.48 | (1) |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

| | 12-08-2025 | 13-08-2025 | Change, bps |
|---|---|---|---|
| Tbill-91 days | 5.45 | 5.48 | 3 |
| Tbill-182 days | 5.53 | 5.56 | 3 |
| Tbill-364 days | 5.55 | 5.58 | 3 |
| G-Sec 2Y | 5.86 | 5.81 | (4) |
| India OIS-2M | 5.48 | 5.50 | 2 |
| India OIS-9M | 5.48 | 5.47 | (1) |
| SONIA int rate benchmark | 3.97 | 3.97 | 0 |
| US SOFR | 4.34 | 4.36 | 2 |

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

| Rs tn | 12-08-2025 | 13-08-2025 | Change (Rs tn) |
|---|---|---|---|
| Net Liquidity (-deficit/+surplus) | 2.6 | 2.9 | 0.3 |
| Reverse Repo | 1.9 | 1.9 | 0 |
| Repo* | 0 | 0 | 0 |

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

**Fig 6 – Capital market flows**

| | 11-08-2025 | 12-08-2025 | change (US$ mn/Rs cr) |
|---|---|---|---|
| FII (US$ mn) | (82.3) | (292.1) | (209.8) |
| Debt | 27.9 | 10.1 | (17.8) |
| Equity | (110.1) | (302.1) | (192.0) |
| Mutual funds (Rs cr) | (1,434.9) | 1,094.0 | 2,528.9 |
| Debt | (7,524.7) | (4,377.9) | 3,146.9 |
| Equity | 6,089.8 | 5,471.8 | (618.0) |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 8 Aug and 11 Aug 2025

- Oil prices dipped as IEA projected an increase in oil supply in 2025 and 2026.

**Fig 7 – Commodities**

| | 12-08-2025 | 13-08-2025 | Change, % |
|---|---|---|---|
| Brent crude (US$/bbl) | 66.1 | 65.6 | (0.7) |
| Gold (US$/ Troy Ounce) | 3,348.3 | 3,355.9 | 0.2 |
| Copper (US$/ MT) | 9,753.4 | 9,723.8 | (0.3) |
| Zinc (US$/MT) | 2,842.7 | 2,827.5 | (0.5) |
| Aluminium (US$/MT) | 2,619.5 | 2,616.0 | (0.1) |

Source: Bloomberg, Bank of Baroda Research

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