

**MORNING MOCHA**

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ECONOMIST

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US CPI rose less than expected by 0.2% in Apr'25 versus an estimated 0.3% increase (MoM), led by a marked moderation in food prices. On a YoY basis, inflation rose by 2.3% compared with an increase of 2.4% in Mar'25. Cooling inflation coupled with easing trade tensions has brought back the possibility of Fed rate cuts on the table, albeit with caution. Separately in the UK, labour market showed signs of cooling off with an increase in unemployment rate, decline in job vacancies and slowdown in wage growth. In Germany, ZEW's economic sentiment index rose sharply to 25.2 in May'25 from -14 in Apr'25. This was led by hopes of an economic recovery amidst supportive fiscal and monetary policy, along with progress in trade negotiations. In India, CPI inflation cooled further led by a substantial moderation in food inflation, paving way for more rate cuts.

- Global indices ended mixed. Investors monitored ongoing developments surrounding US-China trade truce and lower than expected inflation print in the US. Hang Seng noted losses in technology stocks ahead of key earnings report. Sensex ended in red with broad based decline across sectors, barring capital goods. However, it is trading higher today in line with other Asian stocks.

**Fig 1 – Stock markets**

	12-05-2025	13-05-2025	Change, %
Dow Jones	42,410	42,140	(0.6)
S & P 500	5,844	5,887	0.7
FTSE	8,605	8,603	0
Nikkei	37,644	38,183	1.4
Hang Seng	23,549	23,108	(1.9)
Shanghai Comp	3,369	3,375	0.2
Sensex	82,430	81,148	(1.6)
Nifty	24,925	24,578	(1.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies rose as the dollar rally took a breather. DXY dipped by 0.8% after a cooler than expected inflation report. EUR edged up by 0.9% tracking an improvement in Germany's economic sentiment index. CNY and INR were broadly unchanged. INR is trading stronger, in line with other Asian currencies.

**Fig 2 – Currencies**

	12-05-2025	13-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1087	1.1185	0.9
GBP/USD (1 GBP / USD)	1.3176	1.3306	1.0
USD/JPY (JPY / 1 USD)	148.46	147.48	0.7
USD/INR (INR / 1 USD)	85.38	85.35	0
USD/CNY (CNY / 1 USD)	7.2053	7.2046	0
DXY Index	101.79	101.00	(0.8)

Source: Bloomberg, Bank of Baroda Research



- Except UK and Germany, other global yields ended lower. US 10Y yield was down amidst tamer than expected CPI. Thereby, giving room to Fed to lower rates in gradual manner with rate cuts expected as early as Sep'25. Germany's 10 yield inched up ahead of inflation data. India's 10Y yield moderated supported by lower inflation. It is trading at 6.32% today.

**Fig 3 – Bond 10Y yield**

	12-05-2025	13-05-2025	Change, bps
US	4.47	4.47	(1)
UK	4.64	4.67	3
Germany	2.65	2.68	3
Japan	1.46	1.44	(1)
China	1.68	1.66	(2)
India	6.38	6.33	(5)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	09-05-2025	13-05-2025	Change, bps
Tbill-91 days	5.89	5.85	(4)
Tbill-182 days	5.91	5.88	(3)
Tbill-364 days	5.89	5.86	(3)
G-Sec 2Y	6.04	5.96	(8)
India OIS-2M	5.84	5.82	(2)
India OIS-9M	5.66	5.66	0
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.28	4.28	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	09-05-2025	13-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.7	1.5	(0.2)
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

**Fig 6 – Capital market flows**

	08-05-2025	09-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	192.6	(303.0)	(495.5)
Debt	(93.4)	(24.1)	69.3
Equity	286.0	(278.9)	(564.9)
Mutual funds (Rs cr)	(2,746.0)	(7,533.4)	(4,787.4)
Debt	(5,662.1)	(7,301.5)	(1,639.4)
Equity	2,916.1	(231.9)	(3,148.0)

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

- Oil prices inched up driven by demand optimism amidst US-China trade truce.

**Fig 7 – Commodities**

	12-05-2025	13-05-2025	Change, %
Brent crude (US\$/bbl)	65.0	66.6	2.6
Gold (US\$/ Troy Ounce)	3236.4	3250.3	0.4
Copper (US\$/ MT)	9544.4	9618.7	0.8
Zinc (US\$/MT)	2652.6	2677.7	0.9
Aluminium (US\$/MT)	2480.0	2490.0	0.4

Source: Bloomberg, Bank of Baroda Research



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