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Fed policymakers re-emphasised the need for caution amidst tariff driven uncertainty, even as they expressed confidence in the strength of labour market. Several policymakers reiterated that the impact of tariffs on growth and inflation will require careful monitoring and will in turn impact the rate trajectory. Markets now await Fed Chair's speech later in the day for more clues about the rate outlook. Separately, CPI inflation in Germany cooled down to 2.2% in Apr'25 from 2.3% in Apr'25, matching the preliminary estimate. In Japan, PPI inflation remained sticky at 4% in Apr'25, suggesting underlying price pressures. Labour market showed signs of strength in Australia, with a sharp increase in employment, paving the way for more rate cuts. WPI inflation in India eased to 0.9% in Apr'25, led by a sharp decline in prices of vegetables and pulses.

- Global indices ended mixed. Investors' optimism surrounding US and China trade truce faded as they awaited retail sales data in US and commentary by Fed Chair. Hang Seng surged with gains in technology stocks. Sensex rebounded supported by lower inflation data (6-year low). Metal and real estate were top gainers. However, it is trading lower today in line with Asian stocks.

Fig 1 – Stock markets

	13-05-2025	14-05-2025	Change, %
Dow Jones	42,140	42,051	(0.2)
S & P 500	5,887	5,893	0.1
FTSE	8,603	8,585	(0.2)
Nikkei	38,183	38,128	(0.1)
Hang Seng	23,108	23,641	2.3
Shanghai Comp	3,375	3,404	0.9
Sensex	81,148	81,331	0.2
Nifty	24,578	24,667	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY closed steady as investors awaited comments from Fed Chair due today. JPY rose by 0.5% on hopes of rate hikes amidst sticky PPI. GBP declined ahead of GDP release. INR appreciated. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	13-05-2025	14-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1185	1.1175	(0.1)
GBP/USD (1 GBP / USD)	1.3306	1.3263	(0.3)
USD/JPY (JPY / 1 USD)	147.48	146.75	0.5
USD/INR (INR / 1 USD)	85.35	85.28	0.1
USD/CNY (CNY / 1 USD)	7.2046	7.2084	(0.1)
DXY Index	101.00	101.04	0

Source: Bloomberg, Bank of Baroda Research



- Except India, other global yields ended higher. US 10Y yield rose by 7bps (3-month high) despite softer than expected CPI. There are also lingering concerns around budget package that would add to US debt. Germany's 10 yield rose, even as inflation cooled off to a 6-month low. India's 10Y yield eased further. It is trading at 6.30% today, while the new benchmark security is trading at 6.26%

Fig 3 – Bond 10Y yield

	13-05-2025	14-05-2025	Change, bps
US	4.47	4.54	7
UK	4.67	4.71	4
Germany	2.68	2.70	2
Japan	1.44	1.46	2
China	1.66	1.67	1
India	6.33	6.29	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	13-05-2025	14-05-2025	Change, bps
Tbill-91 days	5.85	5.80	(5)
Tbill-182 days	5.88	5.84	(4)
Tbill-364 days	5.86	5.81	(5)
G-Sec 2Y	5.96	5.91	(5)
India OIS-2M	5.82	5.79	(3)
India OIS-9M	5.66	5.64	(2)
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.28	4.30	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	13-05-2025	14-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.5	1.8	0.3
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	09-05-2025	13-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(303.0)	(315.8)	(12.8)
Debt	(24.1)	(335.1)	(311.0)
Equity	(278.9)	19.4	298.2
Mutual funds (Rs cr)	2,886.0	2,240.3	(645.7)
Debt	(2,943.3)	90.4	3,033.7
Equity	5,829.3	2,149.8	(3,679.4)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 9 May and 12 May 2025

- Oil prices declined amidst an increase in US crude inventories.

Fig 7 – Commodities

	13-05-2025	14-05-2025	Change, %
Brent crude (US\$/bbl)	66.6	66.1	(0.8)
Gold (US\$/ Troy Ounce)	3250.3	3177.3	(2.2)
Copper (US\$/ MT)	9618.7	9621.3	0
Zinc (US\$/MT)	2677.7	2742.7	2.4
Aluminium (US\$/MT)	2490.0	2528.5	1.5

Source: Bloomberg, Bank of Baroda Research



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