

MORNING MOCHA

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Preliminary data from the US reflects the impact of tariffs on growth and inflation. US retail sales decelerated to 0.1% in Apr'25 from 1.7% in Mar'25, as demand softened. PPI declined 0.5% in Apr'25, marking the largest decline in 5 years, after a flat reading in Mar'25 led largely by a drop in services even as goods inflation remained steady. Separately, manufacturing production declined by 0.4% in Apr'25, compared with an increase of 0.4% last month led by a decline in auto production. Fed Chair in his speech stressed on the need for greater focus on inflation. On the other hand, GDP growth in the UK rose more than expected by 0.7% (est. 0.6%) in Q1 2025 from 0.1% in Q4 2024. However, GDP growth in Japan contracted by 0.2% in Q1 (est. -0.1%), led by a sharp decline in exports. In India, trade deficit widened to US\$ 26.4bn in Apr'25 as imports surged. Separately, government data showed that unemployment rate (for 15 years and above) was 5.1% in Apr'25.

- Global indices ended mixed. US indices closed in green as investors monitored macro data including softer retail sales and lower producer prices. Nikkei fell weighed down by a stronger yen. Sensex advanced with gains in real estate and auto stocks. However, it is trading lower today in line with Asian peers.

Fig 1 – Stock markets

	14-05-2025	15-05-2025	Change, %
Dow Jones	42,051	42,323	0.6
S & P 500	5,893	5,917	0.4
FTSE	8,585	8,634	0.6
Nikkei	38,128	37,756	(1.0)
Hang Seng	23,641	23,453	(0.8)
Shanghai Comp	3,404	3,381	(0.7)
Sensex	81,331	82,531	1.5
Nifty	24,667	25,062	1.6

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended higher. DXY fell amidst a sharp deceleration in US retail sales. GBP rose buoyed by positive GDP. JPY also appreciated on hope of rate hikes. INR fell amidst dollar demand from importers. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	14-05-2025	15-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1175	1.1187	0.1
GBP/USD (1 GBP / USD)	1.3263	1.3305	0.3
USD/JPY (JPY / 1 USD)	146.75	145.67	0.7
USD/INR (INR / 1 USD)	85.28	85.55	(0.3)
USD/CNY (CNY / 1 USD)	7.2084	7.2074	0
DXY Index	101.04	100.88	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10 yields dropped as investors priced in two rate cuts amidst weaker economic data. Investors tracked commentary by Fed chair as he stressed on inflation-first strategy. Germany and UK's 10 yield eased by 8bp and 5bps. India's 10Y inched up by 1bps and is trading at 6.26% today, while the new benchmark security is trading at 6.22%.

Fig 3 – Bond 10Y yield

	14-05-2025	15-05-2025	Change, bps
US	4.54	4.43	(10)
UK	4.71	4.66	(5)
Germany	2.70	2.62	(8)
Japan	1.46	1.48	2
China	1.67	1.68	0
India	6.29	6.27	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	14-05-2025	15-05-2025	Change, bps
Tbill-91 days	5.80	5.80	0
Tbill-182 days	5.84	5.79	(5)
Tbill-364 days	5.81	5.80	(1)
G-Sec 2Y	5.91	5.88	(3)
India OIS-2M	5.79	5.77	(2)
India OIS-9M	5.64	5.65	1
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.30	4.29	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	14-05-2025	15-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.8	2.2	0.4
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	13-05-2025	14-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(315.8)	(37.2)	278.6
Debt	(335.1)	(146.2)	188.9
Equity	19.4	109.1	89.7
Mutual funds (Rs cr)	2,240.3	1,782.2	(458.1)
Debt	90.4	(1,766.3)	(1,856.7)
Equity	2,149.8	3,548.5	1,398.7

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 12 May and 13 May 2025

- Oil prices slid on expectations of US-Iran deal, which could lift sanctions.

Fig 7 – Commodities

	14-05-2025	15-05-2025	Change, %
Brent crude (US\$/bbl)	66.1	64.5	(2.4)
Gold (US\$/ Troy Ounce)	3177.3	3240.1	2.0
Copper (US\$/ MT)	9621.3	9616.7	0
Zinc (US\$/MT)	2742.7	2702.1	(1.5)
Aluminium (US\$/MT)	2528.5	2489.0	(1.6)

Source: Bloomberg, Bank of Baroda Research



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