

MORNING MOCHA

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ECONOMIST
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US PPI growth remained flat (0%) in Jun'25, down from 0.3% increase in May'25. This was owing to dip in prices of services (-0.1% versus 0.4%), while goods inflation rose (0.3% versus 0.1%). Within services, transportation and warehousing led the drag, while in case of goods, both energy and food prices jumped. On the other hand, surprising positively, industrial production in Jun'25 rose by 0.3% (est.: 0.1%), following (-) 0.2% decline in May'25. However, Fed's beige book signals that risks to inflation still persist, as pass through of tariffs is not yet complete. Fed believes that the outlook for the economy is "neutral to slightly pessimistic". Separately in the UK, inflation in Jun'25 (3.6%; 3.4% in May'25) was hotter than expected (3.4%). This was on account smaller decline in motor fuel prices and rise in food inflation. As a result, pressure on BoE to keep rates on hold has resurfaced before its Aug'25 meeting.

- Global markets closed mixed. US indices advanced as investors' continued to track both the CPI and PPI print along with better than expected earnings reports from banking sector. Hang Seng ended lower amidst repeated concerns around tariffs. Sensex inched up with gains in IT and real estate stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	15-07-2025	16-07-2025	Change, %
Dow Jones	44,023	44,255	0.5
S & P 500	6,244	6,264	0.3
FTSE	8,938	8,927	(0.1)
Nikkei	39,678	39,663	0
Hang Seng	24,590	24,518	(0.3)
Shanghai Comp	3,505	3,504	0
Sensex	82,571	82,634	0.1
Nifty	25,196	25,212	0.1

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies closed higher. DXY retreated after climbing to a 3-week high, with Fed Beige book signalling caution regarding growth. GBP gained by 0.3% tracking CPI report. INR fell, despite lower oil prices. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	15-07-2025	16-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1601	1.1641	0.3
GBP/USD (1 GBP / USD)	1.3384	1.3422	0.3
USD/JPY (JPY / 1 USD)	148.88	147.88	0.7
USD/INR (INR / 1 USD)	85.82	85.94	(0.1)
USD/CNY (CNY / 1 USD)	7.1825	7.1785	0.1
DXY Index	98.62	98.39	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Except UK (higher), other global 10Y yield bond yields closed lower/flat. US 10Y yield fell by 3bps, tracking steady PPI print, and remarks in Fed's beige book singling that the outlook for the economy is "neutral to slightly pessimistic". UK's bond yield reacted to surprise rise inflation. India's 10Y yield was stable, tracking global cues. It is trading at unchanged levels (6.31%) even today.

Fig 3 – Bond 10Y yield

	15-07-2025	16-07-2025	Change, bps
US	4.48	4.46	(3)
UK	4.63	4.64	1
Germany	2.71	2.69	(3)
Japan	1.58	1.59	0
China	1.66	1.66	0
India	6.31	6.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-07-2025	16-07-2025	Change, bps
Tbill-91 days	5.34	5.38	4
Tbill-182 days	5.50	5.53	3
Tbill-364 days	5.64	5.58	(6)
G-Sec 2Y	5.71	5.69	(2)
India OIS-2M	5.46	5.44	(2)
India OIS-9M	5.50	5.49	(1)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.33	4.37	4

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-07-2025	16-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.0	3.0	0
Reverse Repo	1.5	1.5	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	14-07-2025	15-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	87.1	146.1	59.0
Debt	178.9	166.3	(12.6)
Equity	(91.8)	(20.2)	71.6
Mutual funds (Rs cr)	(639.5)	2,917.4	3,556.9
Debt	(1,129.1)	31.8	1,160.9
Equity	489.6	2,885.6	2,396.0

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 11 Jul and 14 Jul 2025

- Oil prices declined further, amidst concerns of weak demand and rising supply.

Fig 7 – Commodities

	15-07-2025	16-07-2025	Change, %
Brent crude (US\$/bbl)	68.7	68.5	(0.3)
Gold (US\$/ Troy Ounce)	3,324.6	3,347.1	0.7
Copper (US\$/ MT)	9,597.2	9,570.5	(0.3)
Zinc (US\$/MT)	2,687.1	2,702.1	0.6
Aluminium (US\$/MT)	2,580.5	2,577.5	(0.1)

Source: Bloomberg, Bank of Baroda Research



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