

MORNING MOCHA

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Consumer confidence in the US remains subdued as shown by University of Michigan index. The sentiment index fell to 50.8 in May'25 (est.: 53.4) from 52.2 in Apr'25. Short-term (1Y) inflation expectation jumped to 7.3% (est.: 6.5%), from 6.5% in the previous month. Even longer term (5-10Y) expectation edged higher. Housing starts also rose at a slower (1.6% MoM) than expected (3%) pace in Apr'25, thus reflecting weakness in both consumption and investment activity. Separately in China, while industrial activity is managing to hold some ground, domestic consumption continues to weaken. Industrial production rose by 6.1% in Apr'25 (7.7% in Mar'25), higher than estimated 5.7%, indicating less harsh impact of US tariffs. In contrast, retail sales growth slowed to 5.1% in Apr'25 (est.: 5.9%) from 5.9% in last month. FAI growth also eased to 4% (Jan-Apr'25) from 4.2% in Q1.

- US and UK indices closed in green, while markets in Asia ended in red. Easing trade tensions between US and China boosted investor sentiments. In contrast, in China, weaker than expected corporate result of China's tech giant, dragged the markets down. Sensex too ended lower, led by tech and metal stocks. However, it is trading higher today, while other Asian markets are trading lower.

Fig 1 – Stock markets

	15-05-2025	16-05-2025	Change, %
Dow Jones	42,323	42,655	0.8
S & P 500	5,917	5,958	0.7
FTSE	8,634	8,685	0.6
Nikkei	37,756	37,754	0
Hang Seng	23,453	23,345	(0.5)
Shanghai Comp	3,381	3,367	(0.4)
Sensex	82,531	82,331	(0.2)
Nifty	25,062	25,020	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except JPY and INR, other global currencies ended lower. DXY rose amidst rising bond yields. Rise in import price index and inflation expectations also led to firming up of DXY. EUR and GBP fell the most. INR ended flat, however, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	15-05-2025	16-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1187	1.1163	(0.2)
GBP/USD (1 GBP / USD)	1.3305	1.3283	(0.2)
USD/JPY (JPY / 1 USD)	145.67	145.70	0
USD/INR (INR / 1 USD)	85.55	85.52	0
USD/CNY (CNY / 1 USD)	7.2074	7.2136	(0.1)
DXY Index	100.88	101.09	0.2

Source: Bloomberg, Bank of Baroda Research



- Except US and China, 10Y yields elsewhere declined. US 10Y yield rose as University of Michigan consumer sentiment index showed build-up in short-term inflation expectations. Germany's 10Y yield eased by 3bps, as investors absorb government's increased bond supply. India's 10Y fell by 1bps, and is trading flat at 6.27% today, while the new benchmark security is trading at 6.22%.

Fig 3 – Bond 10Y yield

	15-05-2025	16-05-2025	Change, bps
US	4.43	4.48	5
UK	4.66	4.65	(1)
Germany	2.62	2.59	(3)
Japan	1.48	1.46	(2)
China	1.68	1.68	1
India	6.27	6.27	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-05-2025	16-05-2025	Change, bps
Tbill-91 days	5.80	5.77	(3)
Tbill-182 days	5.79	5.77	(2)
Tbill-364 days	5.80	5.77	(3)
G-Sec 2Y	5.91	5.88	(3)
India OIS-2M	5.77	5.77	0
India OIS-9M	5.65	5.63	(2)
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.29	4.31	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-05-2025	16-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.2	2.5	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

	14-05-2025	15-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(37.2)	577.9	615.0
Debt	(146.2)	(93.6)	52.7
Equity	109.1	671.4	562.3
Mutual funds (Rs cr)	1,782.2	(3,750.6)	(5,532.8)
Debt	(1,766.3)	(4,661.1)	(2,894.8)
Equity	3,548.5	910.5	(2,638.0)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 13 May and 14 May 2025

- Oil prices rose, supported by easing trade tensions between US and China.

Fig 7 – Commodities

	15-05-2025	16-05-2025	Change, %
Brent crude (US\$/bbl)	64.5	65.4	1.4
Gold (US\$/ Troy Ounce)	3240.1	3203.7	(1.1)
Copper (US\$/ MT)	9616.7	9479.0	(1.4)
Zinc (US\$/MT)	2702.1	2670.6	(1.2)
Aluminium (US\$/MT)	2489.0	2481.5	(0.3)

Source: Bloomberg, Bank of Baroda Research



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