

## MORNING MOCHA

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Aditi Gupta

Uncertainty over US tariffs continues to weigh on investor sentiments ahead of the 2nd Apr deadline. Reports indicate that the US President is likely to go ahead with reciprocal tariffs, even as finer details are awaited. Fed officials struck a cautious tone, amidst tariff related uncertainty. In China, both manufacturing and non-manufacturing PMI ticked up marginally in Mar'25. On the other hand, manufacturing PMI in rest of Asia, including Japan and South Korea, stalled led by a sharp decline in new orders and output. Separate data showed an increase in both retail sales and industrial production in Japan in Feb'25. Separately, Reserve Bank of Australia held its policy rate steady at 4.10%, citing substantial progress in keeping inflationary pressures contained.

- Except US stocks, global indices ended lower. Investors remained wary of reciprocal tariffs both country wise and on a sectoral basis. Nikkei fell the most amidst concerns over widening rate differential with the US. Some frontloading in US stocks happened before tariff deadline. Sensex is trading lower today, while Asian stocks are trading higher tracking upbeat China PMI data.

**Fig 1 – Stock markets**

	28-03-2025	31-03-2025	Change, %
Dow Jones	41,584	42,002	1.0
S & P 500	5,581	5,612	0.6
FTSE	8,659	8,583	(0.9)
Nikkei	37,120	35,618	(4.0)
Hang Seng	23,427	23,120	(1.3)
Shanghai Comp	3,351	3,336	(0.5)
Sensex	77,606	77,415	(0.2)
Nifty	23,592	23,519	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Mar 2025

- Global currencies ended mixed. DXY rose by 0.2% ahead of US tariff deadline. EUR declined as a fall in Germany's inflation strengthened the case for more rate cuts. CNY appreciated tracking an uptick in official PMIs. INR appreciated in the last trading session. Asian currencies are trading mixed today.

**Fig 2 – Currencies**

	28-03-2025	31-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0828	1.0816	(0.1)
GBP/USD (1 GBP / USD)	1.2940	1.2918	(0.2)
USD/JPY (JPY / 1 USD)	149.84	149.96	(0.1)
USD/INR (INR / 1 USD)	85.79	85.46	0.4
USD/CNY (CNY / 1 USD)	7.2622	7.2569	0.1
DXY Index	104.04	104.21	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Brackets indicate depreciation against the dollar | Markets in India were closed on 31 Mar 2025



- US 10Y yield fell by 4bps amidst risk off sentiments due to the ongoing tariff turmoil. Japan's 10Y yield dipped by 5bps despite anticipation of BoJ's trimming down demand for 10-25 years paper. Germany's 10Y yield inched up a tad eyeing the CPI data. India's 10Y yield softened, tracking liquidity conditions.

**Fig 3 – Bond 10Y yield**

	28-03-2025	31-03-2025	Change, bps
US	4.25	4.21	(4)
UK	4.69	4.68	(2)
Germany	2.73	2.74	1
Japan	1.54	1.49	(5)
China	1.82	1.82	0
India	6.60	6.58	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Mar 2025

**Fig 4 – Short term rates**

	27-03-2025	28-03-2025	Change, bps
Tbill-91 days	6.51	6.34	(17)
Tbill-182 days	6.47	6.49	2
Tbill-364 days	6.44	6.44	0
G-Sec 2Y	6.47	6.42	(5)
India OIS-2M	6.25	6.13	(12)
India OIS-9M	6.08	6.04	(4)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.36	4.34	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Mar 2025

**Fig 5 – Liquidity**

Rs tn	27-03-2025	28-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.1)	(0.1)	0
Reverse Repo	0	0	0
Repo*	1.8	0.9	(0.9)

Source: RBI, Bank of Baroda Research, \*Includes LTRO | Note: Markets in India were closed on 31 Mar 2025

**Fig 6 – Capital market flows**

	26-03-2025	27-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	129.9	1,120.1	990.2
Debt	(156.4)	173.1	329.5
Equity	286.2	946.9	660.7
Mutual funds (Rs cr)	(6,914.2)	(5,150.1)	1,764.1
Debt	(2,649.3)	(4,149.2)	(1,499.9)
Equity	(4,264.9)	(1,000.9)	3,264.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 25 Mar and 26 Mar 2025 | Markets in India were closed on 31 Mar 2025

- Oil prices stiffened amidst worries over higher tariff by the US on Russian oil.

**Fig 7 – Commodities**

	28-03-2025	31-03-2025	Change, %
Brent crude (US\$/bbl)	73.6	74.7	1.5
Gold (US\$/ Troy Ounce)	3085.1	3123.6	1.2
Copper (US\$/ MT)	9749.7	9658.7	(0.9)
Zinc (US\$/MT)	2840.3	2836.1	(0.1)
Aluminium (US\$/MT)	2547.5	2533.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)