

**MORNING MOCHA**

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Jahnavi Prabhakar

US PCE, Fed's preferred gauge for inflation measure remained steady, as it rose at the same pace as last year by 2.6% in Jul'25. Core PCE which excludes food and energy inched up by 2.9% in Jul'25 from 2.8% in Jun'25. The headline inflation came in line with expectations, investors are pricing in 87% chance of 25bps rate cut in Sep'25 meet. In India, GDP growth for Q1FY26 surprised positively as it rose by 7.8% (5-quarter high) led by broad based improvement across sectors, especially in manufacturing and services sector. The front loading of exports along with public investment boosted growth. Going ahead, even as the uncertainty looms over the impact of tariffs, upcoming GST reforms might offset some of those losses and boost consumption related sectors. In China, manufacturing activity contracted at a slower pace as the index came in at 49.4 in Aug'25 from 49.3 in Jul'25. However, the non-manufacturing PMI expanded at a faster pace to 50.3 from 50.1 in Jul'25.

- Barring Hang Seng and Shanghai Comp, other global markets closed lower. Investors in US will turn their focus towards jobs report which might offer better read of the economy and rate trajectory. Sensex slipped lower with losses in real estate stocks. However, it is trading higher today, in line with Asian stocks.

**Fig 1 – Stock markets**

	28-08-2025	29-08-2025	Change, %
Dow Jones	45,637	45,545	(0.2)
S & P 500	6,502	6,460	(0.6)
FTSE	9,217	9,187	(0.3)
Nikkei	42,829	42,718	(0.3)
Hang Seng	24,999	25,078	0.3
Shanghai Comp	3,844	3,858	0.4
Sensex	80,081	79,810	(0.3)
Nifty	24,501	24,427	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except EUR and CNY, other global currencies ended lower against the US\$. DXY ended flat, as investors await labour market data. INR closed at its life-time low, given domestic (FPI outflows) and external (steady dollar) concerns. It is trading at similar levels even today, while other currencies are trading weaker.

**Fig 2 – Currencies**

	28-08-2025	29-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1683	1.1686	0
GBP/USD (1 GBP / USD)	1.3513	1.3504	(0.1)
USD/JPY (JPY / 1 USD)	146.93	147.05	(0.1)
USD/INR (INR / 1 USD)	87.63	88.21	(0.6)
USD/CNY (CNY / 1 USD)	7.1307	7.1308	0
DXY Index	97.81	97.77	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (lower), other global yields closed higher. US 10Y yield was up by 3bps, tracking rise in core PCE and inflation expectations (University of Michigan survey). German yields reacted to slight pick-up in Aug'25 CPI. India's 10Y yield was up by 3bps, tracking global cues. It is trading higher at 6.60% today, as muted demand from institutional buyers remains a concern.

**Fig 3 – Bond 10Y yield**

	28-08-2025	29-08-2025	Change, bps
US	4.20	4.23	3
UK	4.70	4.72	2
Germany	2.70	2.72	3
Japan	1.62	1.60	(2)
China	1.79	1.79	(1)
India	6.53	6.57	3

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-08-2025	29-08-2025	Change, bps
Tbill-91 days	5.50	5.48	(2)
Tbill-182 days	5.59	5.58	(1)
Tbill-364 days	5.60	5.59	(1)
G-Sec 2Y	5.84	5.83	0
India OIS-2M	5.50	5.52	2
India OIS-9M	5.47	5.49	2
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.36	4.34	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	28-08-2025	29-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.4	2.4	0
Reverse Repo	0.8	0	(0.8)
Repo*	0	0	0

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

**Fig 6 – Capital market flows**

	26-08-2025	28-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(748.2)	(599.7)	148.5
Debt	(104.3)	94.8	199.1
Equity	(644.0)	(694.6)	(50.6)
Mutual funds (Rs cr)	(956.1)	(1,053.2)	(97.1)
Debt	(3,318.3)	(969.1)	2,349.2
Equity	2,362.3	(84.1)	(2,446.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 21 and 22 Aug 2025 | Note: Markets in India were closed on 27 Aug 2025

- Oil prices fell amidst subdued demand and expectation of higher supply.

**Fig 7 – Commodities**

	28-08-2025	29-08-2025	Change, %
Brent crude (US\$/bbl)	68.6	68.1	(0.7)
Gold (US\$/ Troy Ounce)	3,417.1	3,448.0	0.9
Copper (US\$/ MT)	9,735.2	9,821.7	0.9
Zinc (US\$/MT)	2,777.7	2,825.1	1.7
Aluminium (US\$/MT)	2,605.0	2,615.5	0.4

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)