MORNING MOCHA

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In a data light week, investors are awaiting signals on US Fed rate trajectory from Fed Chair Jerome Powell's speech later this week. Despite elevated rates, US housing starts rose in Jul'25 by 5.2% to 1.43mn (est.: 1.3mn), and higher than upwardly revised Jun'25 figure of 1.36mn. This increase is largely credited to multi-family housing starts. In contrast, building permits (proxy for future demand) fell to 5-year low of 1.35mn (est.: 1.39mn) in Jul'25, recording a (-) 2.8% decline. Separately in Asia, Japan's export growth has slumped to 4-year low as it declined by (-) 2.6% in Jul'25 (YoY), higher than estimated (-) 2.1%. This was led by drop in exports of automobiles and parts, and steel. Exports to US fell the most (-10.1%), followed by decline in exports to China (-3.5%) and Europe (-3.4%). Imports also fell on account of crude oil, coal and natural gas.

- Global stocks ended mixed. US indices closed lower as investors turned their focus towards upcoming Jackson Hole meeting which might provide some guidance on rates trajectory. Nikkei slipped from a record high. Sensex continued with its upward momentum with gains in oil & gas stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	18-08-2025	19-08-2025	Change, %
Dow Jones	44,912	44,922	0
S & P 500	6,449	6,411	(0.6)
FTSE	9,158	9,189	0.3
Nikkei	43,714	43,546	(0.4)
Hang Seng	25,177	25,123	(0.2)
Shanghai Comp	3,728	3,727	0
Sensex	81,274	81,644	0.5
Nifty	24,877	24,981	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY edged up supported by strong US housing starts data and awaited the release of Fed minutes. INR strengthened supported by news of GST reform and recent credit rating upgrade. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	18-08-2025	19-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1661	1.1647	(0.1)
GBP/USD (1 GBP / USD)	1.3504	1.3491	(0.1)
USD/JPY (JPY / 1 USD)	147.89	147.67	0.1
USD/INR (INR / 1 USD)	87.35	86.96	0.4
USD/CNY (CNY / 1 USD)	7.1849	7.1824	0
DXY Index	98.17	98.27	0.1

Source: Bloomberg, Bank of Baroda Research

- Major global yields closed mixed. US 10Y yield fell by 3bps, as investors track mixed real estate data (rise in housing starts/decline in building permits). India's 10Y yield rose by another 2bps, as markets continue to focus upon the fiscal health of the central government. It is trading a tad lower at 6.50% today.

Fig 3 – Bond 10Y yield

	18-08-2025	19-08-2025	Change, bps
US	4.33	4.31	(3)
UK	4.74	4.74	0
Germany	2.76	2.75	(1)
Japan	1.57	1.60	3
China	1.78	1.77	(1)
India	6.50	6.51	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	18-08-2025	19-08-2025	Change, bps
Tbill-91 days	5.44	5.47	3
Tbill-182 days	5.53	5.54	1
Tbill-364 days	5.55	5.56	1
G-Sec 2Y	5.86	5.86	0
India OIS-2M	5.50	5.51	1
India OIS-9M	5.50	5.51	1
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	18-08-2025	19-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.1	3.0	(0.1)
Reverse Repo	1.8	1.8	0
Repo*	0	0.2	0.2

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

Fig 6 – Capital market flows

	14-08-2025	18-08-2025	change (US$ mn/Rs cr)
FII (US$ mn)	370.9	249.7	(121.2)
Debt	509.1	133.5	(375.5)
Equity	(138.1)	116.2	254.3
Mutual funds (Rs cr)	6,404.5	2,951.3	(3,453.1)
Debt	1,038.6	(772.2)	(1,810.8)
Equity	5,365.8	3,723.5	(1,642.3)

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

- Oil prices fell, amidst hopes of easing geopolitical tensions.

Fig 7 – Commodities

	18-08-2025	19-08-2025	Change, %
Brent crude (US$/bbl)	66.6	65.8	(1.2)
Gold (US$/ Troy Ounce)	3,332.7	3,315.8	(0.5)
Copper (US$/ MT)	9,636.3	9,595.2	(0.4)
Zinc (US$/MT)	2,768.4	2,758.2	(0.4)
Aluminium (US$/MT)	2,588.5	2,563.5	(1.0)

Source: Bloomberg, Bank of Baroda Research

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