

MORNING MOCHA

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ECONOMIST
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FOMC minutes of the Jul'25 revealed that some members argued it was too early to lower rates as Fed should await more clarity on the impact of tariffs on inflation, while others argued that cracks in the labour market warrant a rate cut. Majority believed that the upside risks to inflation are stronger than downside risks to growth and employment. However, noting the macro data released since then, CME FedWatchtool shows ~82% chance of a rate cut in Sep'25. Separately, in the UK, chance of rate cut in Sep'25 have dimmed, with inflation in Jul'25 coming in hotter than expected (3.8% versus 3.7%). Domestically, RBI's MPC minutes revealed that members agreed that transmission from previous rate cuts was still underway. Also, heightened uncertainty due to ongoing tariff tensions and waning favourable base effect keeping inflation low, led members to vote for a pause in Aug'25.

- Barring US indices and Nikkei, other global indices closed higher. S&P 500 ended lower as the sell-off in the technology stocks continued for the second straight day amidst concerns over higher valuations. Nikkei dropped tracking weaker trade data and losses in chip related stocks. Sensex advanced with gains in IT stocks. It is trading higher today in line with other Asian indices.

Fig 1 – Stock markets

	19-08-2025	20-08-2025	Change, %
Dow Jones	44,922	44,938	0
S & P 500	6,411	6,396	(0.2)
FTSE	9,189	9,288	1.1
Nikkei	43,546	42,889	(1.5)
Hang Seng	25,123	25,166	0.2
Shanghai Comp	3,727	3,766	1.0
Sensex	81,644	81,858	0.3
Nifty	24,981	25,051	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. The dollar index closed flat. Commentary by Fed Chair is awaited ahead of the Central Bank meeting which will offer guidance on rate trajectory and economic outlook. INR depreciated, given the rise in oil prices. It is trading stronger today; Asian currencies are trading mixed.

Fig 2 – Currencies

	19-08-2025	20-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1647	1.1652	0
GBP/USD (1 GBP / USD)	1.3491	1.3457	(0.3)
USD/JPY (JPY / 1 USD)	147.67	147.33	0.2
USD/INR (INR / 1 USD)	86.96	87.08	(0.1)
USD/CNY (CNY / 1 USD)	7.1824	7.1758	0.1
DX Index	98.27	98.22	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China, other major global 10Y yields closed lower. US 10Y yield fell by 2bps, as investors digest FOMC minutes. UK's yield fell sharply, even as Jul'25 inflation came in hotter than expected. Investors await central bank's decision on QT in Sep'25. India's 10Y yield fell by 2bps, tracking global cues. It is trading flat today at 6.50%.

Fig 3 – Bond 10Y yield

	19-08-2025	20-08-2025	Change, bps
US	4.31	4.29	(2)
UK	4.74	4.67	(7)
Germany	2.75	2.72	(3)
Japan	1.60	1.61	1
China	1.77	1.79	1
India	6.51	6.50	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-08-2025	20-08-2025	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	19-08-2025	20-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.0	2.6	(0.4)
Reverse Repo	1.8	2.0	0.2
Repo*	0.2	0	(0.2)

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

Fig 6 – Capital market flows

	18-08-2025	19-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	249.7	45.4	(204.3)
Debt	133.5	46.8	(86.7)
Equity	116.2	(1.4)	(117.6)
Mutual funds (Rs cr)	2,951.3	3,845.9	894.5
Debt	(772.2)	(1,345.1)	(572.9)
Equity	3,723.5	5,191.0	1,467.5

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 14 Aug and 18 Aug 2025

- Oil prices rose, following higher than expected drawdown of US oil inventories.

Fig 7 – Commodities

	19-08-2025	20-08-2025	Change, %
Brent crude (US\$/bbl)	65.8	66.8	1.6
Gold (US\$/ Troy Ounce)	3,315.8	3,348.4	1.0
Copper (US\$/ MT)	9,595.2	9,629.8	0.4
Zinc (US\$/MT)	2,758.2	2,777.7	0.7
Aluminium (US\$/MT)	2,563.5	2,576.5	0.5

Source: Bloomberg, Bank of Baroda Research



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