

MORNING MOCHA

21 May 2025

ECONOMIST
Sonal Badhan

In a period of heightened global uncertainty, the Reserve Bank of Australia (RBA), lowered its policy rates by 25bps to 3.85%, in line with market expectations. This was done keeping in mind cooling inflation (Q1CY25 inflation eased to 2.4% from 3.2% in Q4CY24). However, Governor Bullock cautioned that uncertainty around US tariffs remains a key concern for future rate trajectory. Separately in Japan, trade data shows that impact of US tariffs is notable. Exports rose by 2% in Apr'25—slowest since Oct'24, while imports fell by (-) 2.2%. Its exports to US also fell (-1.8% versus 3.1% in Mar'25) for the first time since Oct'24. Auto exports to the US, which account for ~28% of total exports, fell most sharply by (-) 4.1% in Apr'25. Domestically, India's eight core industry growth eased to 0.5% in Apr'25, down from 4.6% in Mar'25, led by slowdown in steel and cement industries.

- Global indices closed mixed. US stocks moderated as debt concerns mounted. Apart from this Fed officials signalling of wait and watch approach on rates also pared gains in stocks. Asian stocks broadly closed higher supported by monetary policy support from China. Sensex closed lower led by auto stocks. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	19-05-2025	20-05-2025	Change, %
Dow Jones	42,792	42,677	(0.3)
S & P 500	5,964	5,940	(0.4)
FTSE	8,699	8,781	0.9
Nikkei	37,499	37,529	0.1
Hang Seng	23,333	23,681	1.5
Shanghai Comp	3,368	3,380	0.4
Sensex	82,059	81,186	(1.1)
Nifty	24,945	24,684	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies ended higher. DXY fell by 0.3% led by uncertainty around economic outlook and Fed rate path. UK-EU post Brexit deal has supported their currencies. INR fell by 0.3%, despite weaker oil prices. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	19-05-2025	20-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1240	1.1283	0.4
GBP/USD (1 GBP / USD)	1.3361	1.3393	0.2
USD/JPY (JPY / 1 USD)	144.86	144.51	0.2
USD/INR (INR / 1 USD)	85.40	85.64	(0.3)
USD/CNY (CNY / 1 USD)	7.2138	7.2170	0
DXY Index	100.43	100.12	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Global yields rallied led by higher fiscal deficit concerns in the US. BoE Chief Economist's hinting of not being too hasty on rate cuts, impacted sentiments in the UK. Even Germany's yield rose by 2bps albeit ECB officials' signalling of softer policy. India's 10Y yield fell by 3bps. It is trading lower at 6.28% today, while the new benchmark security is at 6.24%.

Fig 3 – Bond 10Y yield

	19-05-2025	20-05-2025	Change, bps
US	4.45	4.49	4
UK	4.66	4.70	4
Germany	2.59	2.61	2
Japan	1.49	1.51	2
China	1.66	1.67	1
India	6.29	6.27	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-05-2025	20-05-2025	Change, bps
Tbill-91 days	5.76	5.67	(9)
Tbill-182 days	5.75	5.74	(1)
Tbill-364 days	5.81	5.80	(1)
G-Sec 2Y	5.83	5.80	(3)
India OIS-2M	5.75	5.73	(2)
India OIS-9M	5.65	5.61	(4)
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.30	4.29	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-05-2025	20-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.9	1.9	0
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	16-05-2025	19-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	792.0	10.1	(781.8)
Debt	(82.6)	(99.6)	(17.0)
Equity	874.6	109.7	(764.9)
Mutual funds (Rs cr)	(4,762.9)	(8,142.7)	(3,379.7)
Debt	(4,227.5)	(6,905.3)	(2,677.8)
Equity	(535.4)	(1,237.3)	(701.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 14 May and 15 May 2025

- Oil prices continue to slid, driven by demand side uncertainties.

Fig 7 – Commodities

	19-05-2025	20-05-2025	Change, %
Brent crude (US\$/bbl)	65.5	65.4	(0.2)
Gold (US\$/ Troy Ounce)	3229.6	3290.1	1.9
Copper (US\$/ MT)	9539.0	9522.7	(0.2)
Zinc (US\$/MT)	2644.7	2680.7	1.4
Aluminium (US\$/MT)	2450.0	2471.5	0.9

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com