MORNING MOCHA

22 August 2025

ECONOMIST
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US labour market continues to show signs of weakness. Initial jobless claims for the week ending 16 Aug 2025 rose by 11k to 235k (est.: 225k). Continuing claims (4-week moving average) also rose to 1.95mn, up by 6.5k from the previous week. Thus, supporting the case of a rate cut in Sep'25 (~75% chance). In contrast, existing home sales surprised on the upside as it rose by 2% in Jul'25 to 4.01mn units (est.: 3.92mn) from 3.93mn in Jun'25. This was largely due to dip in 30Y fixed mortgage rates (6.72% in Jul'25 versus 6.82% in Jun'25). Separately, flash PMIs indicate that while manufacturing activity appears to be recovering in the US, Eurozone and Japan in Aug'25, it weakened in the UK. Service sector growth slipped in the US, while is seen improving in the UK, Eurozone and Japan. Domestically, both services and manufacturing activity gained pace in Aug'25.

- Global indices closed mixed. US indices closed lower as investors tracked subdued macro data (jobless claims). Nikkei slipped further. Sensex continued its upwards momentum with gains in real estate stocks. However, it is trading lower today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	20-08-2025	21-08-2025	Change, %
Dow Jones	44,938	44,786	(0.3)
S & P 500	6,396	6,370	(0.4)
FTSE	9,288	9,309	0.2
Nikkei	42,889	42,610	(0.6)
Hang Seng	25,166	25,105	(0.2)
Shanghai Comp	3,766	3,771	0.1
Sensex	81,858	82,001	0.2
Nifty	25,051	25,084	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower. The dollar index strengthened ahead of the speech by the Fed Chair which might provide some cues on rates. Yen drifted lower amidst rate hike uncertainty by BoJ. INR depreciated, amidst higher oil prices. It is trading weaker today; Asian currencies are trading mixed.

Fig 2 – Currencies

	20-08-2025	21-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1652	1.1606	(0.4)
GBP/USD (1 GBP / USD)	1.3457	1.3412	(0.3)
USD/JPY (JPY / 1 USD)	147.33	148.37	(0.7)
USD/INR (INR / 1 USD)	87.08	87.26	(0.2)
USD/CNY (CNY / 1 USD)	7.1758	7.1805	(0.1)
DXY Index	98.22	98.62	0.4

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China, other major global 10Y yields closed higher. US 10Y yield rose by 4bps, tracking hawkish FOMC minutes. UK's yield rose by 6bps, as investors pare their rate cut bets following better than expected flash PMI data. India's 10Y yield rose by 2bps, tracking global cues and rise in oil prices. It is trading further higher today at 6.55%.

Fig 3 – Bond 10Y yield

	20-08-2025	21-08-2025	Change, bps
US	4.29	4.33	4
UK	4.67	4.73	6
Germany	2.72	2.76	4
Japan	1.61	1.61	0
China	1.79	1.77	(2)
India	6.50	6.53	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-08-2025	21-08-2025	Change, bps
Tbill-91 days	5.48	5.46	(2)
Tbill-182 days	5.56	5.55	(1)
Tbill-364 days	5.59	5.58	(1)
G-Sec 2Y	5.83	5.81	(3)
India OIS-2M	5.49	5.50	1
India OIS-9M	5.49	5.49	0
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.33	4.31	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-08-2025	21-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	2.2	(0.4)
Reverse Repo	2.0	1.8	(0.2)
Repo*	0	0	0

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

Fig 6 – Capital market flows

	19-08-2025	20-08-2025	change (US$ mn/Rs cr)
FII (US$ mn)	45.4	75.4	30.0
Debt	46.8	109.6	62.8
Equity	(1.4)	(34.2)	(32.8)
Mutual funds (Rs cr)	3,845.9	1,503.6	(2,342.2)
Debt	(1,345.1)	(261.6)	1,083.6
Equity	5,191.0	1,765.2	(3,425.8)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 18 Aug and 19 Aug 2025

- Oil prices rose, given the uncertainty around Russia-Ukraine peace deal.

Fig 7 – Commodities

	20-08-2025	21-08-2025	Change, %
Brent crude (US$/bbl)	66.8	67.7	1.2
Gold (US$/ Troy Ounce)	3,348.4	3,338.7	(0.3)
Copper (US$/ MT)	9,629.8	9,643.5	0.1
Zinc (US$/MT)	2,777.7	2,758.0	(0.7)
Aluminium (US$/MT)	2,576.5	2,585.0	0.3

Source: Bloomberg, Bank of Baroda Research

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