

MORNING MOCHA

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ECONOMIST

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Global markets broadly monitored the corporate earnings in a data light trading day. On trade front, White House Press Secretary stated that more trade deals may be forthcoming before the 1 Aug deadline, with reports suggesting EU, Malaysia and Philippines making progress on the same. Traders are also keeping a close eye on Yen movement and Japanese bonds as some risks persist over fiscal concerns surrounding results of Upper House elections. On monetary policy front, BoE is facing pressure in unwinding its Quantitative Easing (QE) portfolio due to weaker demand of long dated securities amidst volatile financial landscape. On domestic front, the index of eight core industries picked up to 1.3% in Q1FY26 with buoyant growth in sectors such as steel and cement.

- Global indices closed broadly higher. Investors' focus turned to earnings reports and trade negotiations. S&P 500 rose to a record high. Stocks in China and Hong Kong ended higher as PBOC kept rates on hold, with investors awaiting the outcome of the Politburo meet. Sensex rose led by banking and consumer durables stocks. It is also trading higher today, in line with Asian peers.

Fig 1 – Stock markets

	18-07-2025	21-07-2025	Change, %
Dow Jones	44,342	44,323	0
S & P 500	6,297	6,306	0.1
FTSE	8,992	9,013	0.2
Nikkei	39,901	39,819	(0.2)
Hang Seng	24,826	24,994	0.7
Shanghai Comp	3,534	3,560	0.7
Sensex	81,758	82,200	0.5
Nifty	24,968	25,091	0.5

Source: Bloomberg, Bank of Baroda Research, Note: Nikkei was closed as on 21 Jul 2025

- Except INR, other global currencies gained. DXY slid by 0.6% awaiting more clarity on US tariff policies. JPY rose by 1%, tracking political developments. INR depreciated to a 1-month low amidst dollar demand from importers. It is however trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	18-07-2025	21-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1626	1.1694	0.6
GBP/USD (1 GBP / USD)	1.3416	1.3493	0.6
USD/JPY (JPY / 1 USD)	148.81	147.38	1.0
USD/INR (INR / 1 USD)	86.16	86.30	(0.2)
USD/CNY (CNY / 1 USD)	7.1746	7.1694	0.1
DXY Index	98.48	97.85	(0.6)

Source: Bloomberg, Bank of Baroda Research



- 10Y yield in Germany, US and UK broadly softened. For Germany, higher expectations of softer policy by the ECB in the wake of a delay in trade deal between US and EU, influenced its yield. For UK some frontloading happened ahead of the public sector borrowing data. US 10Y yield broadly showed the risk-off influence. India's 10Y yield closed a tad lower and is trading stable.

Fig 3 – Bond 10Y yield

	18-07-2025	21-07-2025	Change, bps
US	4.42	4.38	(4)
UK	4.67	4.60	(7)
Germany	2.70	2.61	(8)
Japan	1.54	1.54	0
China	1.67	1.68	1
India	6.31	6.30	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	18-07-2025	21-07-2025	Change, bps
Tbill-91 days	5.36	5.37	1
Tbill-182 days	5.47	5.48	1
Tbill-364 days	5.57	5.53	(4)
G-Sec 2Y	5.67	5.70	3
India OIS-2M	5.43	5.44	1
India OIS-9M	5.47	5.45	(2)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.34	4.30	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	18-07-2025	21-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.4	3.1	(0.7)
Reverse Repo	0	2.0	2.0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	17-07-2025	18-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(316.1)	154.1	470.2
Debt	17.3	63.4	46.2
Equity	(333.4)	90.7	424.1
Mutual funds (Rs cr)	909.0	3,395.1	2,486.0
Debt	437.7	1,358.3	920.6
Equity	471.3	2,036.7	1,565.4

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 16 Jul and 17 Jul 2025

- Oil prices softened as demand concerns continued to weigh in.

Fig 7 – Commodities

	18-07-2025	21-07-2025	Change, %
Brent crude (US\$/bbl)	69.3	69.2	(0.1)
Gold (US\$/ Troy Ounce)	3,349.9	3,397.1	1.4
Copper (US\$/ MT)	9,724.7	9,793.0	0.7
Zinc (US\$/MT)	2,823.3	2,836.8	0.5
Aluminium (US\$/MT)	2,629.5	2,646.5	0.6

Source: Bloomberg, Bank of Baroda Research



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