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ECONOMIST
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Global markets got a breather monitoring optimistic developments on trade front. In its latest progress, Japan secured a trade deal with the US with tariff rate set at 15%, including for autos. It also agreed to provide a US$ 550bn fund to invest in the US. In a separate agreement, US and Philippines also managed to come up with a deal with tariff rate being set at 19%. US Treasury Secretary also hinted at tariff truce with China. Risk on sentiments came into play driving major Asian stocks higher in today's session. The safe-haven gold is also trading lower today. On macro front, net public sector borrowing data of UK firmed up. Taiwan's export orders showed momentum led by frontloading impact of tariff. ECB's bank lending survey confirmed weaker demand conditions. On domestic front, financial results of major companies will hold cue on market's trajectory.

- Global markets ended mixed as investors' awaited outcome of US trade negotiations. Stocks in the US edged up ahead of major earnings reports this week. Gains in construction and power stocks drove stocks in China and Hong Kong higher. Sensex ended marginally weaker. It is trading higher today, in line with Asian peers supported by announcement of US-Japan trade deal.

Fig 1 – Stock markets

	21-07-2025	22-07-2025	Change, %
Dow Jones	44,323	44,502	0.4
S & P 500	6,306	6,310	0.1
FTSE	9,013	9,024	0.1
Nikkei	39,819	39,775	(0.1)
Hang Seng	24,994	25,130	0.5
Shanghai Comp	3,560	3,582	0.6
Sensex	82,200	82,187	0
Nifty	25,091	25,061	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies rose against the dollar. DXY fell for the third straight session ahead of the looming tariff deadline. INR continued to depreciate amidst dollar demand and weakness in domestic equities. It is trading further weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	21-07-2025	22-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1694	1.1754	0.5
GBP/USD (1 GBP / USD)	1.3493	1.3533	0.3
USD/JPY (JPY / 1 USD)	147.38	146.63	0.5
USD/INR (INR / 1 USD)	86.30	86.37	(0.1)
USD/CNY (CNY / 1 USD)	7.1694	7.1690	0
DXY Index	97.85	97.39	(0.5)

Source: Bloomberg, Bank of Baroda Research

- 10Y yield in UK softened albeit a rise in net public sector borrowing. US 10Y yield also moderated at a similar pace weighing state of the economy and recent trade related developments. In China, some momentum in its 10Y yield was witnessed ahead of the summit where some talks with EU might be possible. India's 10Y yield closed a tad higher and is trading stable today.

Fig 3 – Bond 10Y yield

	21-07-2025	22-07-2025	Change, bps
US	4.38	4.34	(3)
UK	4.60	4.57	(3)
Germany	2.61	2.59	(2)
Japan	1.54	1.52	(2)
China	1.68	1.69	2
India	6.30	6.31	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-07-2025	22-07-2025	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	21-07-2025	22-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.1	2.4	(0.7)
Reverse Repo	2.0	2.0	2.0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	18-07-2025	21-07-2025	change (US$ mn/Rs cr)
FII (US$ mn)	154.1	(438.5)	(592.6)
Debt	63.4	(312.7)	(376.1)
Equity	90.7	(125.8)	(216.5)
Mutual funds (Rs cr)	3,395.1	988.6	(2,406.5)
Debt	1,358.3	(1,674.4)	(3,032.7)
Equity	2,036.7	2,662.9	626.2

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 17 Jul and 18 Jul 2025

- Oil prices dipped as hopes of a US-EU trade deal before the deadline faded.

Fig 7 – Commodities

	21-07-2025	22-07-2025	Change, %
Brent crude (US$/bbl)	69.2	68.6	(0.9)
Gold (US$/ Troy Ounce)	3,397.1	3,431.5	1.0
Copper (US$/ MT)	9,793.0	9,851.3	0.6
Zinc (US$/MT)	2,836.8	2,855.8	0.7
Aluminium (US$/MT)	2,646.5	2,658.5	0.5

Source: Bloomberg, Bank of Baroda Research

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