

MORNING MOCHA

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ECONOMIST
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Global flash PMIs show that while manufacturing activity picked up pace in the US in May'25 (52.3 versus 50.2 in Apr'25), it contracted at a slower pace in the Eurozone (49.4 versus 49), and at a steeper pace in the UK (45.1 versus 45.4). However the impact of tariffs was more visible in the US on the price front, with both input and output prices increasing quite sharply in May'25. In contrast, prices were seen easing in the manufacturing sector in both UK and Eurozone, while services inflation remained elevated. Separately, the US labour market appears to be steady. Initial jobless claims for the week ending 17 May fell by 2k to 227k (est.: 230k). Continuing claims (4-week moving avg) however rose to 1.89mn—highest since Nov'21, from 1.87mn the previous week. Domestically, both manufacturing and services activity improved in May'25. Rise in domestic demand also led to higher business optimism.

- Global indices broadly closed lower. US stocks closed stable counter-balancing mixed macro performance. Among Asian stocks, Hang Seng fell the most, followed by Nikkei, dampened by worries over fiscal health of the US and its repercussion on key financial metrics. Sensex also moderated, led by consumer durables stocks. It is trading higher today; Asian stocks are trading mixed.

Fig 1 – Stock markets

	21-05-2025	22-05-2025	Change, %
Dow Jones	41,860	41,859	0
S & P 500	5,845	5,842	0
FTSE	8,786	8,739	(0.5)
Nikkei	37,299	36,986	(0.8)
Hang Seng	23,828	23,544	(1.2)
Shanghai Comp	3,388	3,380	(0.2)
Sensex	81,597	80,952	(0.8)
Nifty	24,813	24,610	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Except GBP, other global currencies ended lower. DXY rose by 0.4% as labour market data shows steady momentum, and manufacturing activity improved. EUR and INR depreciated the most. INR fell by 0.4%, tracking global cues. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	21-05-2025	22-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1331	1.1281	(0.4)
GBP/USD (1 GBP / USD)	1.3420	1.3419	0
USD/JPY (JPY / 1 USD)	143.68	144.01	(0.2)
USD/INR (INR / 1 USD)	85.64	86.01	(0.4)
USD/CNY (CNY / 1 USD)	7.2015	7.2056	(0.1)
DXY Index	99.56	99.96	0.4

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield showed some correction supported by comments of Fed Governor Christopher Waller. He has hinted at some monetary easing in H2 of CY25 if the base case of tariff on all trading partners of the US settles at 10%. Japan's 10Y yield firmed up awaiting its CPI data. India's 10Y yield rose by 3bps. It is trading lower at 6.25% today, while the new benchmark security is at 6.21%.

Fig 3 – Bond 10Y yield

	21-05-2025	22-05-2025	Change, bps
US	4.60	4.53	(7)
UK	4.76	4.75	(1)
Germany	2.65	2.64	0
Japan	1.53	1.57	5
China	1.68	1.69	1
India	6.25	6.27	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-05-2025	22-05-2025	Change, bps
Tbill-91 days	5.70	5.70	0
Tbill-182 days	5.70	5.68	(2)
Tbill-364 days	5.71	5.67	(4)
G-Sec 2Y	5.75	5.77	1
India OIS-2M	5.70	5.70	0
India OIS-9M	5.58	5.58	0
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.27	4.26	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-05-2025	22-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.3	1.0	(0.3)
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	20-05-2025	21-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(1,180.2)	139.2	1,319.4
Debt	(5.1)	(126.4)	(121.2)
Equity	(1,175.0)	265.6	1,440.6
Mutual funds (Rs cr)	(7,463.0)	(1,597.8)	5,865.2
Debt	(7,025.3)	(7,200.2)	(174.9)
Equity	(437.7)	5,602.4	6,040.1

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 19 May and 20 May 2025

- Oil prices reacted to news that OPEC+ may increase production in Jul'25.

Fig 7 – Commodities

	21-05-2025	22-05-2025	Change, %
Brent crude (US\$/bbl)	64.9	64.4	(0.7)
Gold (US\$/ Troy Ounce)	3315.0	3294.5	(0.6)
Copper (US\$/ MT)	9547.5	9516.4	(0.3)
Zinc (US\$/MT)	2664.1	2673.3	0.3
Aluminium (US\$/MT)	2471.5	2456.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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