

**MORNING MOCHA**

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Risk on sentiments continued to play on global market fundamentals with rally in equity indices and sell off in sovereign debt class. The safe-haven appeal of dollar and gold have also lost sheen amidst renewed optimism on US-Japan and US-Philippines trade deal. Reports also stated that EU is also close to signing off a deal with the US at 15% tariff rate. The deal between US and South Korea is also forthcoming at similar tariff rate with the latter pledging for higher investment in the US to trim auto tariff rate. Thus, optimism on trade front has largely capped market's fear of volatility with VIX falling sharply in the day's trading session. On domestic front, ADB has flagged higher tariff as downside risks to growth with FY26 GDP growth for India projected at 6.5%, from 6.7% earlier. All eyes are on the signing of UK-India FTA which is expected to double bilateral trade by CY30.

- Global markets rallied supported by improved risk sentiments as US announced a trade deal with Japan. Reports also indicated that a deal with Europe might also be forthcoming. Nikkei rose sharply by 3.5%, led by gains in auto stocks. Sensex edged up by 0.7% supported by banking and auto stocks. It is however trading weaker today, while other Asian stocks are trading higher.

**Fig 1 – Stock markets**

	22-07-2025	23-07-2025	Change, %
Dow Jones	44,502	45,010	1.1
S & P 500	6,310	6,359	0.8
FTSE	9,024	9,061	0.4
Nikkei	39,775	41,171	3.5
Hang Seng	25,130	25,538	1.6
Shanghai Comp	3,582	3,582	0
Sensex	82,187	82,727	0.7
Nifty	25,061	25,220	0.6

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other global currencies appreciated against the dollar. EUR and JPY rose on optimism over trade deals. DXY continued to slide as US existing home sales dipped. INR depreciated further as US trade talks remained in a limbo. However, it is trading stronger today, in line with Asian peers.

**Fig 2 – Currencies**

	22-07-2025	23-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1754	1.1771	0.1
GBP/USD (1 GBP / USD)	1.3533	1.3582	0.4
USD/JPY (JPY / 1 USD)	146.63	146.51	0.1
USD/INR (INR / 1 USD)	86.37	86.42	(0.1)
USD/CNY (CNY / 1 USD)	7.1690	7.1543	0.2
DXY Index	97.39	97.21	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields inched up across the board tracking optimism on tariff front. UK's 10Y yield has risen the most probably a lagged effect of rise in public sector net borrowing. Even Germany and US 10Y yield inched up as expectation build up over monetary policy to be in wait and watch mode amidst evolving global dynamics. India's 10Y yield closed stable and is trading at 6.32% today.

**Fig 3 – Bond 10Y yield**

	22-07-2025	23-07-2025	Change, bps
US	4.34	4.38	4
UK	4.57	4.64	7
Germany	2.59	2.64	5
Japan	1.52	1.59	7
China	1.69	1.71	1
India	6.31	6.31	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	22-07-2025	23-07-2025	Change, bps
Tbill-91 days	5.37	5.38	1
Tbill-182 days	5.47	5.52	5
Tbill-364 days	5.54	5.56	2
G-Sec 2Y	5.67	5.68	0
India OIS-2M	5.45	5.44	(1)
India OIS-9M	5.47	5.46	(1)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.28	4.28	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	22-07-2025	23-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.4	2.2	(0.2)
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**

	21-07-2025	22-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(438.5)	555.3	993.8
Debt	(312.7)	19.9	332.6
Equity	(125.8)	535.4	661.1
Mutual funds (Rs cr)	988.6	2,869.4	1,880.8
Debt	(1,674.4)	(788.6)	885.8
Equity	2,662.9	3,658.0	995.0

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 18 Jul and 21 Jul 2025

- Oil prices declined marginally despite a drop in US crude inventories.

**Fig 7 – Commodities**

	22-07-2025	23-07-2025	Change, %
Brent crude (US\$/bbl)	68.6	68.5	(0.1)
Gold (US\$/ Troy Ounce)	3,431.5	3,387.3	(1.3)
Copper (US\$/ MT)	9,851.3	9,878.1	0.3
Zinc (US\$/MT)	2,855.8	2,859.2	0.1
Aluminium (US\$/MT)	2,658.5	2,651.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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