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Germany's IFO business climate index rose to 89 mark (highest level since May'24) in Aug'25 from 88.6 in Jul'25. Despite the improvement, the overall economic outlook remains weak as analysts expect the economic recovery at a much slower pace. Investors this week will keep a close watch on US PCE, which is Fed's preferred gauge for inflation and will offer more guidance on rate trajectory. Fed Chair had recently raised expectation of rate cut in his remarks. Investors have already priced in a rate cut in Sep'25 meeting. Separately, concerns around Fed's independence came back to the fore as US President announced the removal of Fed Governor. On tariff front, US President warned of levying '200%' tariffs on China if exports of rare earth magnets are curbed.

- Barring US, other global indices advanced higher. US indices slid from a record high after a rally which was fuelled by rate cut expectations. S&P 500 was down as 9 out of 11 sectors reported a dip. Investors turned their focus towards earnings update and key macro releases. Hang extended its gains and surged by almost 2% amidst a rally in property stocks. Sensex rebounded with gains in IT stocks. However, it is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	22-08-2025	25-08-2025	Change, %
Dow Jones	45,632	45,282	(0.8)
S & P 500	6,467	6,439	(0.4)
FTSE	9,309	9,321	0.1
Nikkei	42,633	42,808	0.4
Hang Seng	25,339	25,830	1.9
Shanghai Comp	3,826	3,884	1.5
Sensex	81,307	81,636	0.4
Nifty	24,870	24,968	0.4

Source: Bloomberg, Bank of Baroda Research | Note: UK's market was closed on 25.8.2025

- Global currencies broadly closed lower as DXY firmed up. EUR depreciated the most followed by JPY and GBP. The reigning concerns over Fed's independence has weighed on dollar. INR too depreciated tracking FII outflows. It is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

	22-08-2025	25-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1718	1.1618	(0.9)
GBP/USD (1 GBP / USD)	1.3525	1.3455	(0.5)
USD/JPY (JPY / 1 USD)	146.94	147.80	(0.6)
USD/INR (INR / 1 USD)	87.53	87.58	(0.1)
USD/CNY (CNY / 1 USD)	7.1675	7.1536	0.2
DXY Index	97.72	98.43	0.7

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Germany's 10Y yield has risen the most as IFO business climate data improved. US 10Y yield rose by 2bps awaiting the core PCE data for cues on inflation. China's 10Y yield on the other hand fell by 2bps as tariff-related uncertainty looms. India's 10Y yield rose by 5bps as government has announced reissue of two securities worth Rs 320bn. It is trading at 6.62%.

Fig 3 – Bond 10Y yield

	22-08-2025	25-08-2025	Change, bps
US	4.25	4.28	2
UK	4.69	4.69	0
Germany	2.72	2.76	4
Japan	1.63	1.62	0
China	1.79	1.77	(2)
India	6.55	6.60	5

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-08-2025	25-08-2025	Change, bps
Tbill-91 days	5.46	5.48	2
Tbill-182 days	5.56	5.57	1
Tbill-364 days	5.59	5.59	0
G-Sec 2Y	5.81	5.86	6
India OIS-2M	5.50	5.50	0
India OIS-9M	5.49	5.49	0
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.32	4.36	4

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-08-2025	25-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.2	1.8	(0.4)
Reverse Repo	0	0.8	0.8
Repo*	0	0	0

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

Fig 6 – Capital market flows

	21-08-2025	22-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(83.4)	(139.0)	(55.6)
Debt	(18.7)	(177.9)	(159.2)
Equity	(64.7)	38.9	103.6
Mutual funds (Rs cr)	1,503.6	(795.9)	(2,299.5)
Debt	(261.6)	(1,888.1)	(1,626.5)
Equity	1,765.2	1,092.2	(673.0)

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

- Oil prices ended higher amidst increased rate cut expectation by Fed.

Fig 7 – Commodities

	22-08-2025	25-08-2025	Change, %
Brent crude (US\$/bbl)	67.7	68.8	1.6
Gold (US\$/ Troy Ounce)	3,371.9	3,365.9	(0.2)
Copper (US\$/ MT)	9,643.5	9,718.1	0.8
Zinc (US\$/MT)	2,758.0	2,815.1	2.1
Aluminium (US\$/MT)	2,585.0	2,624.5	1.5

Source: Bloomberg, Bank of Baroda Research



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