

MORNING MOCHA

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ECONOMIST

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On tariff front, US President agreed for an extension of deadline to EU before imposing 50% tariffs on imports, till 9 Jul from 1 Jun earlier. The discussion has been proposed to be swift on EU's part. Elsewhere in Japan, reports have indicated of a possible hand holding of technical and financial contribution to the US. Thus, market indicators got some breather. Gold prices inched up, Brent steadied and DXY moderated, in today's session. Among macro indicators, US new home sales gained momentum. In UK, core retail sales data picked up. In Germany, the Q1 final estimates reflected a better picture supported by private consumption demand. In India, RBI's bountiful dividend transfer to the government will be supportive of liquidity conditions and yields. The Southwest monsoon has arrived earlier by over 8-days than its usual onset of June. This has been the earliest arrival in over 16-years.

- Global indices ended mixed. Stocks in Japan firmed up while those in China and US ended lower. Investors closely monitored the ongoing developments on the trade front. The volatility index rose to 2-week high. However, Sensex rebounded with strong gains in banking and power stocks. It is trading higher today while other Asian indices were trading mixed.

Fig 1 – Stock markets

	22-05-2025	23-05-2025	Change, %
Dow Jones	41,859	41,603	(0.6)
S & P 500	5,842	5,803	(0.7)
FTSE	8,739	8,718	(0.2)
Nikkei	36,986	37,160	0.5
Hang Seng	23,544	23,601	0.2
Shanghai Comp	3,380	3,348	(0.9)
Sensex	80,952	81,721	1.0
Nifty	24,610	24,853	1.0

Source: Bloomberg, Bank of Baroda Research

- Dollar index weakened to a 2-week low amidst concerns of growing fiscal deficit. JPY strengthened as demand for safe-haven assets increased given the concerns on US fiscal trajectory. INR appreciated given the weakness in greenback. It is trading stronger today while Asian currencies are trading mixed.

Fig 2 – Currencies

	22-05-2025	23-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1281	1.1362	0.7
GBP/USD (1 GBP / USD)	1.3419	1.3537	0.9
USD/JPY (JPY / 1 USD)	144.01	142.56	1.0
USD/INR (INR / 1 USD)	86.01	85.22	0.9
USD/CNY (CNY / 1 USD)	7.2056	7.1810	0.3
DXY Index	99.96	99.11	(0.8)

Source: Bloomberg, Bank of Baroda Research



- Germany's 10Y yield fell at the sharpest pace by 8bps as Eurozone wage growth softened calling for further monetary policy easing. UK's 10Y yield also fell sharply albeit higher than expected government borrowing. BoE official's comment on uncertainty of inflation may have impacted its direction. India's 10Y yield fell by 2bps. The new benchmark security is trading at 6.21% today.

Fig 3 – Bond 10Y yield

	22-05-2025	23-05-2025	Change, bps
US	4.53	4.51	(2)
UK	4.75	4.68	(7)
Germany	2.64	2.57	(8)
Japan	1.57	1.54	(3)
China	1.69	1.70	1
India	6.27	6.25	(2)

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	5.67	5.66	(1)
G-Sec 2Y	5.77	5.74	(3)
India OIS-2M	5.70	5.70	0
India OIS-9M	5.58	5.56	(2)
SONIA int rate benchmark	4.21	4.21	(0)
US SOFR	4.26	4.26	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-05-2025	23-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.0	1.7	0.7
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	21-05-2025	22-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	139.2	(981.2)	(1,120.4)
Debt	(126.4)	(346.6)	(220.2)
Equity	265.6	(634.6)	(900.2)
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

- Crude oil prices rose amidst US -Iran talks on nuclear program.

Fig 7 – Commodities

	22-05-2025	23-05-2025	Change, %
Brent crude (US\$/bbl)	64.4	64.8	0.5
Gold (US\$/ Troy Ounce)	3294.5	3357.5	1.9
Copper (US\$/ MT)	9516.4	9641.1	1.3
Zinc (US\$/MT)	2673.3	2680.0	0.2
Aluminium (US\$/MT)	2456.0	2463.5	0.3

Source: Bloomberg, Bank of Baroda Research



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