

**MORNING MOCHA**

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Global market sentiments lingered around start and stop policy approach of the US on tariff front. DXY continued to soften as fiscal concerns in the US have acted as a deterrent towards safe-haven demand. Elsewhere in Japan, BoJ Governor hinted at some monetary tightening in the wake of improving economy. This might comfort JPY in the coming days. In China, reports suggested that central bank have urged major lenders to increase the share of yuan for cross border trade. On macro front, in UK, BRC shop price index, a proxy for retail sales, showed moderation in May'25, in line with previous month. In Japan, PPI softened to 3.1% in Apr'25 against previous month's revised data of 3.3%. In China, industrial profits edged up to 3% on YoY basis. On domestic front, IIP data release is scheduled (BoB estimate: 0.5-1%).

- With markets in US and UK shut for a holiday, global indices saw muted trading. In Asia, indices ended mixed. Nikkei rose by 1% as trade tensions eased further. On the other hand, Hang Seng declined by 1.4%. In India, Sensex rose by 0.6% led by gains in auto and capital goods sector. However, it is trading weaker today in line with other Asian indices.

**Fig 1 – Stock markets**

	23-05-2025	26-05-2025	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	37,160	37,532	1.0
Hang Seng	23,601	23,282	(1.4)
Shanghai Comp	3,348	3,347	(0.0)
Sensex	81,721	82,176	0.6
Nifty	24,853	25,001	0.6

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY declined by 0.2% to a 1-month low amidst concerns over US fiscal policy. EUR rose, supported by a delay in US tariffs. INR ended marginally stronger tracking weak oil prices. It is however trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	23-05-2025	26-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1362	1.1387	0.2
GBP/USD (1 GBP / USD)	1.3537	1.3564	0.2
USD/JPY (JPY / 1 USD)	142.56	142.85	(0.2)
USD/INR (INR / 1 USD)	85.22	85.09	0.1
USD/CNY (CNY / 1 USD)	7.1810	7.1864	(0.1)
DXY Index	99.11	98.93	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Yields traded in a close range as major markets were closed. UK's 10Y yield is likely to show the impact of firming up of the average advertised wage by 9%, blurring possibilities of rate cut by BoE. Fed official's comment over uncertainty on Fed trajectory is also likely to cap its yield to a certain extent. India's 10Y yield closed stable. The new benchmark security is at 6.2%.

**Fig 3 – Bond 10Y yield**

	23-05-2025	26-05-2025	Change, bps
US	4.53	4.51	(2)
UK	4.75	4.68	(7)
Germany	2.57	2.56	(1)
Japan	1.54	1.52	(2)
China	1.70	1.69	(1)
India	6.25	6.25	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	23-05-2025	26-05-2025	Change, bps
Tbill-91 days	5.64	5.65	1
Tbill-182 days	5.70	5.68	(2)
Tbill-364 days	5.66	5.62	(4)
G-Sec 2Y	5.74	5.74	0
India OIS-2M	5.70	5.67	(3)
India OIS-9M	5.56	5.56	0
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	23-05-2025	26-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.7	1.7	0
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

**Fig 6 – Capital market flows**

	22-05-2025	23-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(981.2)	(176.8)	804.4
Debt	(346.6)	(246.2)	100.5
Equity	(634.6)	69.3	703.9
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 eased marginally ahead of OPEC+ meeting.

**Fig 7 – Commodities**

	23-05-2025	26-05-2025	Change, %
Brent crude (US\$/bbl)	64.8	64.7	(0.1)
Gold (US\$/ Troy Ounce)	3357.5	3343.8	(0.4)
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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