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Investor focus remains on US core PCE data scheduled to be released today, even as bets of a rate cut in Sep'25 have solidified. While the core PCE is expected to have picked up marginally to 2.9% from 2.8% in Jun'25, markets have ramped up the possibility of a rate cut. This was further supported by dovish comments from New York Fed Chair. Separately, industrial profits in China declined at a slower pace of 1.5% in Jul'25, following a 4.3% drop in Jun'25. Bank of Korea held its policy rate steady at 2.5% for the second consecutive meeting, while upgrading its growth and inflation forecasts upwards to 0.9% (0.8%) and 2% (1.9%) respectively. In India, markets are expected to trade cautiously as investors assess the impact of additional 25% US tariffs exports which took effect from yesterday.

- US indices edged up supported by a growing expectation of Fed rate cut in its upcoming policy. Positive macro data also lent support. Asian stocks largely fell. Shanghai Comp led the losses amidst muted growth in industrial profits. Sensex was dragged down by real estate stocks. It is trading further lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	26-08-2025	27-08-2025	Change, %
Dow Jones	45,418	45,565	0.3
S & P 500	6,466	6,481	0.2
FTSE	9,266	9,256	(0.1)
Nikkei	42,394	42,520	0.3
Hang Seng	25,525	25,202	(1.3)
Shanghai Comp	3,868	3,800	(1.8)
Sensex	81,636	80,787	(1.0)
Nifty	24,968	24,712	(1.0)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Aug 2025

- Global currencies traded in narrow ranges as traders awaited the US PCE data. DXY, EUR, CNY and JPY ended flat. GBP ended marginally higher tracking a mixed retail sales report. INR depreciated a tad, ahead of the deadline of additional 25% US tariff. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	26-08-2025	27-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1642	1.1639	0
GBP/USD (1 GBP / USD)	1.3480	1.3498	0.1
USD/JPY (JPY / 1 USD)	147.40	147.42	0
USD/INR (INR / 1 USD)	87.58	87.68	(0.1)
USD/CNY (CNY / 1 USD)	7.1528	7.1517	0
DXY Index	98.23	98.23	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Aug 2025



- US 10Y yield moderated despite some discussion over independence of Fed. Moderation in Gfk's consumer confidence index led to a drop in Germany's 10Y yield by 2bps. Elsewhere, yields were largely stable. India's 10Y yield closed at 6.6%. It is trading higher at 6.62% amidst negative sentiments over higher tariff rates.

Fig 3 – Bond 10Y yield

	26-08-2025	27-08-2025	Change, bps
US	4.26	4.23	(3)
UK	4.74	4.74	0
Germany	2.72	2.70	(2)
Japan	1.63	1.63	0
China	1.77	1.77	0
India	6.60	6.60	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Aug 2025

Fig 4 – Short term rates

	26-08-2025	27-08-2025	Change, bps
Tbill-91 days	5.48	5.46	(2)
Tbill-182 days	5.57	5.57	0
Tbill-364 days	5.59	5.59	0
G-Sec 2Y	5.86	5.92	5
India OIS-2M	5.51	5.51	0
India OIS-9M	5.50	5.50	0
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.37	4.38	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Aug 2025

Fig 5 – Liquidity

Rs tn	25-08-2025	26-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.8	1.9	0.1
Reverse Repo	0.8	0.8	0
Repo*	0	0	0

Source: RBI, Bank of Baroda Research, *Includes LTRO | Note: Markets in India were closed on 27 Aug 2025

Fig 6 – Capital market flows

	22-08-2025	25-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(139.0)	(91.4)	47.6
Debt	(177.9)	86.5	264.4
Equity	38.9	(177.9)	(216.8)
Mutual funds (Rs cr)	(956.1)	(1,053.2)	(97.1)
Debt	(3,318.3)	(969.1)	2,349.2
Equity	2,362.3	(84.1)	(2,446.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 21 Aug and 22 Aug 2025 | Note: Markets in India were closed on 27 Aug 2025

- Oil prices rose as US crude inventories fell more than expected.

Fig 7 – Commodities

	26-08-2025	27-08-2025	Change, %
Brent crude (US\$/bbl)	67.2	68.1	1.2
Gold (US\$/ Troy Ounce)	3,393.6	3,397.4	0.1
Copper (US\$/ MT)	9,752.2	9,665.6	(0.9)
Zinc (US\$/MT)	2,808.9	2,753.9	(2.0)
Aluminium (US\$/MT)	2,638.0	2,602.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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