

MORNING MOCHA

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After weeks of uncertainty, the US and EU secured a key trade deal which is likely to boost sentiments. As per the agreement, EU exports to the US will incur an across the board 15% tariff rate. The EU also agreed to purchase US\$ 750bn worth US energy products and invest US\$ 600bn in the US. Separately, US core capital goods orders declined by 0.7% in Jun'25 after increasing by 2% last month. The Fed is likely to keep rates steady this week, with focus on more announcement of more trade deals and US jobs report. In Germany, Ifo's business climate index rose to a 1-year high at 88.6 in Jul'25 from 88.4 in Jun'25. Core inflation in Tokyo, moderated to 2.9% (3.1% in Jun'25), but remained above BoJ's target. While the BoJ is expected keep rates on hold this week, it is likely to provide some indication of future rate hikes as a trade deal with the US has significantly improved the economic outlook.

- Barring US, other global indices closed lower. US stocks got support from better earnings reports. Amongst other stocks, Hang Seng fell the most followed by Nikkei. Traders' sentiments got impacted awaiting more clarity on US trade deals and broadly muted macro data. Sensex ended weaker, led by power stocks. It is trading further lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	24-07-2025	25-07-2025	Change, %
Dow Jones	44,694	44,902	0.5
S & P 500	6,363	6,389	0.4
FTSE	9,138	9,120	(0.2)
Nikkei	41,826	41,456	(0.9)
Hang Seng	25,667	25,388	(1.1)
Shanghai Comp	3,606	3,594	(0.3)
Sensex	82,184	81,463	(0.9)
Nifty	25,062	24,837	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended weaker. DXY rose by 0.3% ahead of tariff deadline and Fed meeting. Despite a strong retail sales report, GBP declined by 0.5%. JPY also depreciated ahead of BoJ meeting. INR depreciated marginally. However, it is trading stronger today, in line with Asian peers.

Fig 2 – Currencies

	24-07-2025	25-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1749	1.1742	(0.1)
GBP/USD (1 GBP / USD)	1.3510	1.3438	(0.5)
USD/JPY (JPY / 1 USD)	147.01	147.69	(0.5)
USD/INR (INR / 1 USD)	86.41	86.52	(0.1)
USD/CNY (CNY / 1 USD)	7.1547	7.1695	(0.2)
DXY Index	97.38	97.65	0.3

Source: Bloomberg, Bank of Baroda Research



- Global yields traded thinly balancing risk sentiments at play. US 10Y yield fell a tad as durable goods orders showed weakness. Germany's 10Y yield inched up tracking developments surrounding trade deal between EU and US. It would get further support after the announcement of EU-US trade deal. India's 10Y yield rose by 2bps, tracking auction results. It is trading flat today.

Fig 3 – Bond 10Y yield

	24-07-2025	25-07-2025	Change, bps
US	4.40	4.39	(1)
UK	4.62	4.64	1
Germany	2.70	2.72	2
Japan	1.61	1.61	0
China	1.74	1.74	0
India	6.33	6.35	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	24-07-2025	25-07-2025	Change, bps
Tbill-91 days	5.35	5.35	0
Tbill-182 days	5.49	5.49	0
Tbill-364 days	5.53	5.54	1
G-Sec 2Y	5.69	5.71	2
India OIS-2M	5.44	5.45	1
India OIS-9M	5.47	5.50	3
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.28	4.30	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	24-07-2025	25-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	2.9	0.3
Reverse Repo	2.0	0	(2.0)
Repo*	0.5	0	(0.5)

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

Fig 6 – Capital market flows

	23-07-2025	24-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(452.0)	(386.5)	65.6
Debt	(70.0)	(155.3)	(85.3)
Equity	(382.0)	(231.2)	150.9
Mutual funds (Rs cr)	2,561.4	2,252.1	(309.4)
Debt	(2,222.4)	(2,153.2)	69.2
Equity	4,783.8	4,405.2	(378.6)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 22 Jul and 23 Jul 2025

- Oil prices dipped on demand concerns amid weak macro data in US and China.

Fig 7 – Commodities

	24-07-2025	25-07-2025	Change, %
Brent crude (US\$/bbl)	69.2	68.4	(1.1)
Gold (US\$/ Troy Ounce)	3,368.7	3,337.3	(0.9)
Copper (US\$/ MT)	9,827.1	9,715.8	(1.1)
Zinc (US\$/MT)	2,842.8	2,821.5	(0.7)
Aluminium (US\$/MT)	2,647.0	2,635.5	(0.4)

Source: Bloomberg, Bank of Baroda Research



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