

MORNING MOCHA

28 May 2025

ECONOMIST

Dipanwita Mazumdar

Among major market developments have been the concern over volatility in Japanese super long bonds. BoJ Governor has also raised concerns and hinted at likely repercussions on yields of short end papers. There has also been ongoing speculation that government will reduce the issuance of long dated securities. On macro front, US indicators showed upbeat performance (Conf. Board Consumer Confidence and durable goods orders). Fed officials have also pointed of growing uncertainty over trajectory of inflation in the current elevated tariff environment. In Germany as well, consumer confidence posted a better picture. On domestic front, IMD predicted above normal monsoon with 106% of LPA rainfall during Jun-Sep season. The spatial distribution is crucial for major perishable crops.

- Except China and India, stocks elsewhere ended higher. Easing trade tensions between US and EU supported investors' sentiments. S&P 500 climbed up by 2%. In Asia, stocks in Japan found comfort from a weaker currency. In India, Sensex fell by 0.8% amidst losses in auto and banking stocks. It is trading further weaker today, while other Asian stocks are trading mostly higher.

Fig 1 – Stock markets

	26-05-2025	27-05-2025	Change, %
Dow Jones	41,603	42,344	1.8
S & P 500	5,803	5,922	2.0
FTSE	8,718	8,778	0.7
Nikkei	37,532	37,724	0.5
Hang Seng	23,282	23,382	0.4
Shanghai Comp	3,347	3,341	(0.2)
Sensex	82,176	81,552	(0.8)
Nifty	25,001	24,826	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies weakened as the dollar rebounded. DXY rose by 0.6% tracking an improvement in US consumer confidence. JPY depreciated the most as Japan's long-end bond yields eased. INR depreciated by 0.3% due to month-end dollar demand from importers. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	26-05-2025	27-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1387	1.1328	(0.5)
GBP/USD (1 GBP / USD)	1.3564	1.3507	(0.4)
USD/JPY (JPY / 1 USD)	142.85	144.33	(1.0)
USD/INR (INR / 1 USD)	85.09	85.34	(0.3)
USD/CNY (CNY / 1 USD)	7.1864	7.1953	(0.1)
DXY Index	98.93	99.52	0.6

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield fell at the sharpest pace amidst safe-haven demand for sovereign securities. Japan's 10Y yield also softened over anticipation of some tweaking in long term issuances. In Germany, yields got support from commentary of ECB Chief Economist on disinflation. India's 10Y yield closed stable. The new benchmark security is trading lower at 6.18% today.

Fig 3 – Bond 10Y yield

	26-05-2025	27-05-2025	Change, bps
US	4.51	4.44	(7)
UK	4.68	4.67	(1)
Germany	2.56	2.53	(3)
Japan	1.52	1.47	(5)
China	1.69	1.70	1
India	6.25	6.25	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-05-2025	27-05-2025	Change, bps
Tbill-91 days	5.65	5.63	(2)
Tbill-182 days	5.65	5.65	0
Tbill-364 days	5.62	5.63	1
G-Sec 2Y	5.74	5.73	(1)
India OIS-2M	5.67	5.67	0
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	26-05-2025	27-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.7	1.9	0.2
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	23-05-2025	26-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(176.8)	185.4	362.3
Debt	(246.2)	(1.4)	244.7
Equity	69.3	186.9	117.5
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 fell amidst expectations of increased supply by OPEC+.

Fig 7 – Commodities

	26-05-2025	27-05-2025	Change, %
Brent crude (US\$/bbl)	64.7	64.1	(1.0)
Gold (US\$/ Troy Ounce)	3343.8	3300.9	(1.3)
Copper (US\$/ MT)	9641.1	9636.6	(0.0)
Zinc (US\$/MT)	2680.0	2685.3	0.2
Aluminium (US\$/MT)	2463.5	2485.0	0.9

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com