

**MORNING MOCHA**

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Aditi Gupta

US GDP growth for Q2 2025 was revised higher to 3.3% (est. 3.1%), versus 3% earlier. This largely reflected upward revisions to business and consumer spending. Separately, US jobless claims declined by 5,000 to 229,000 (est. 230,000). Fed Governor Waller came out in support of a 25bps rate cut in the next Fed meeting, while also opening the room for more rate cuts later in the year. In Japan, industrial production declined by 1.6% in Jul'25 (est. -1%), led by a sharp drop in auto production. Separately, growth in retail sales remained muted at 0.3% (est. 1.8%), suggesting continued stress in consumption. On the other hand, jobless rate declined to 2.3% from 2.5%, while core inflation in Tokyo eased to 2.5% from 2.9% earlier. In India, the RBI expressed confidence in the domestic economy activity, while noting the risks to growth due to US tariff policies. It expects inflation to remain well below the targeted 4% rate.

- Global markets closed mixed. Better than expected US GDP print, led by stronger consumer spending, and corporate earnings report, boosted investor sentiments. Sensex was dragged down by tech, realty and power stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	27-08-2025	28-08-2025	Change, %
Dow Jones	45,565	45,637	0.2
S & P 500	6,481	6,502	0.3
FTSE	9,256	9,217	(0.4)
Nikkei	42,520	42,829	0.7
Hang Seng	25,202	24,999	(0.8)
Shanghai Comp	3,800	3,844	1.1
Sensex	80,787	80,081	(0.9)
Nifty	24,712	24,501	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended higher tracking a weaker dollar. DXY fell by 0.4% on rising expectations of a rate cut. Despite a drop in Euro Area's economic confidence index, EUR strengthened by 0.4%. INR closed marginally higher. However, it is trading weaker today, while other currencies are trading mixed.

**Fig 2 – Currencies**

	27-08-2025	28-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1639	1.1683	0.4
GBP/USD (1 GBP / USD)	1.3498	1.3513	0.1
USD/JPY (JPY / 1 USD)	147.42	146.93	0.3
USD/INR (INR / 1 USD)	87.68	87.63	0.1
USD/CNY (CNY / 1 USD)	7.1517	7.1307	0.3
DXY Index	98.23	97.81	(0.4)

Source: Bloomberg, Bank of Baroda Research



- Except China (higher), other global yields fell. US 10Y yield was down by 3bps, as investors await PCE data-Fed's preferred gauge of inflation, to assess the future rate trajectory. India's 10Y yield fell the most (7bps), even as oil prices inched up marginally. It is trading higher at 6.57% today, amidst uncertainty around the investor appetite in the weekly auction.

**Fig 3 – Bond 10Y yield**

	27-08-2025	28-08-2025	Change, bps
US	4.23	4.20	(3)
UK	4.74	4.70	(4)
Germany	2.70	2.70	(1)
Japan	1.63	1.62	(1)
China	1.77	1.79	2
India	6.60	6.53	(7)

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

**Fig 4 – Short term rates**

	27-08-2025	28-08-2025	Change, bps
Tbill-91 days	5.46	5.50	4
Tbill-182 days	5.57	5.59	2
Tbill-364 days	5.59	5.60	1
G-Sec 2Y	5.92	5.84	(8)
India OIS-2M	5.51	5.50	(1)
India OIS-9M	5.50	5.47	(3)
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.38	4.36	(2)

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

**Fig 5 – Liquidity**

Rs tn	27-08-2025	28-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.9	2.4	0.5
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**

	25-08-2025	26-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(91.4)	(748.2)	(656.9)
Debt	86.5	(104.3)	(190.8)
Equity	(177.9)	(644.0)	(466.1)
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 19 Aug and 20 Aug 2025 | Note: Markets in India were closed on 27 Aug 2025

- Oil prices rose tracking geo-political tensions between Russia and Ukraine.

**Fig 7 – Commodities**

	27-08-2025	28-08-2025	Change, %
Brent crude (US\$/bbl)	68.1	68.6	0.8
Gold (US\$/ Troy Ounce)	3,397.4	3,417.1	0.6
Copper (US\$/ MT)	9,665.6	9,735.2	0.7
Zinc (US\$/MT)	2,753.9	2,777.7	0.9
Aluminium (US\$/MT)	2,602.5	2,605.0	0.1

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)