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Among major developments, has been the ruling of US Court against US President's tariff policies which have been deemed to be illegal. This is likely to put a pause on the ongoing tariff rates unless further appeal. Amongst major ruling, it covers global flat tariff rates, higher rates on China and fentanyl related tariffs. The impact was immediately visible in market variables such as firming up of DXY, softening of gold prices and higher trading of Asian indices (all in today's session). Elsewhere Fed minutes hinted at cautious stand on policy rate. Bank of Korea reduced policy rate by 25bps and slashed down its GDP forecast to 0.8% from 1.5% earlier for CY25. On domestic front, there has been a slew of releases ranging from hike in MSP for all Kharif crops to revising upward food grain production estimate for 2024-25 crop year and release of usual IIP data which softened to 2.7% in Apr'25.

- Investors weighed Fed minutes with members noting the need for considering "difficult trade-offs" in coming days, US stocks fell the most. Nikkei ended flat even as investors continued to monitor movements in long-end bond yields. Sensex also ended lower led by auto and metal stocks. It is however trading higher today, in line with other Asian stocks after US court's ruling on tariffs.

Fig 1 – Stock markets

	27-05-2025	28-05-2025	Change, %
Dow Jones	42,344	42,099	(0.6)
S & P 500	5,922	5,889	(0.6)
FTSE	8,778	8,726	(0.6)
Nikkei	37,724	37,722	(0.0)
Hang Seng	23,382	23,258	(0.5)
Shanghai Comp	3,341	3,340	(0.0)
Sensex	81,552	81,312	(0.3)
Nifty	24,826	24,752	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mostly weaker against the dollar. DXY rose by 0.4% as investors monitored Fed policy minutes. Amongst other major currencies, JPY depreciated the most by 0.4% tracking the movement in Japan's long-end bond market. INR is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	27-05-2025	28-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1328	1.1292	(0.3)
GBP/USD (1 GBP / USD)	1.3507	1.3469	(0.3)
USD/JPY (JPY / 1 USD)	144.33	144.84	(0.4)
USD/INR (INR / 1 USD)	85.34	85.37	0
USD/CNY (CNY / 1 USD)	7.1953	7.1959	0
DXY Index	99.52	99.88	0.4

Source: Bloomberg, Bank of Baroda Research



- UK's 10Y yield showed the major correction as concerns over elevated public sector borrowing remains. The signalling of Fed minutes to stay on pause has capped US yield. Japan's 10Y yield also stiffened as BoJ's bond buying remains in focus after a weak 40-year bond auction. India's 10Y yield closed a tad lower. The new benchmark security is trading lower at 6.17% today.

Fig 3 – Bond 10Y yield

	27-05-2025	28-05-2025	Change, bps
US	4.44	4.48	3
UK	4.67	4.73	6
Germany	2.53	2.55	2
Japan	1.47	1.52	4
China	1.70	1.71	1
India	6.25	6.24	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-05-2025	28-05-2025	Change, bps
Tbill-91 days	5.63	5.61	(2)
Tbill-182 days	5.65	5.62	(3)
Tbill-364 days	5.63	5.62	(1)
G-Sec 2Y	5.73	5.72	(1)
India OIS-2M	5.67	5.67	0
India OIS-9M	5.56	5.57	1
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.26	4.31	5

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-05-2025	28-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.9	1.9	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

	26-05-2025	27-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	185.4	(24.5)	(209.9)
Debt	(1.4)	(136.1)	(134.7)
Equity	186.9	111.7	(75.2)
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 rose after US barred Chevron from exporting Venezuelan oil.

Fig 7 – Commodities

	27-05-2025	28-05-2025	Change, %
Brent crude (US\$/bbl)	64.1	64.9	1.3
Gold (US\$/ Troy Ounce)	3300.9	3287.5	(0.4)
Copper (US\$/ MT)	9636.6	9610.0	(0.3)
Zinc (US\$/MT)	2685.3	2666.7	(0.7)
Aluminium (US\$/MT)	2485.0	2468.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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