

MORNING MOCHA

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Market focus remains firmly on developments surrounding President Trump's proposed reciprocal tariffs. News reports indicate that the US is considering a possible 20% blanket hike in duties for nearly all countries. This raises the possibility of retaliatory measures by other countries, resulting in a full-blown trade war, which will weigh on global growth prospects. Separately, US macro data signalled a further loss of economic momentum. US ISM manufacturing PMI slipped to 49.0 in Mar'25 from 50.3 in Feb'25. This was led by a sharp fall in new orders, while input price inflation picked up. Labour market also weakened with, JOLTS data showing a 794,000 drop in job openings in Feb'25. Domestically, RBI announced fresh OMO purchase of Rs. 80,000 crores in Apr'25, in 4 equal tranches to manage domestic liquidity conditions.

- Global indices traded in a narrow range as investors refrained from holding any strong positions awaiting fine prints of US tariff plan. Asian stocks were buoyed by positive PMI data in China. Shanghai Comp and Hang Seng both rose by 0.4%. Sensex fell by 1.8%, led by decline in real estate and consumer durables stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	31-03-2025	01-04-2025	Change, %
Dow Jones	42,002	41,990	0
S & P 500	5,612	5,633	0.4
FTSE	8,583	8,635	0.6
Nikkei	35,618	35,624	0
Hang Seng	23,120	23,207	0.4
Shanghai Comp	3,336	3,348	0.4
Sensex	77,415	76,025	(1.8)
Nifty	23,519	23,166	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY ended flat ahead of US Liberation Day deadline. EUR depreciated by 0.2% as moderating inflation in the Euro Zone opens room for more rate cuts by ECB. JPY ended higher by 0.4% on safe-haven demand. INR is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	31-03-2025	01-04-2025	Change, %
EUR/USD (1 EUR / USD)	1.0816	1.0793	(0.2)
GBP/USD (1 GBP / USD)	1.2918	1.2923	0
USD/JPY (JPY / 1 USD)	149.96	149.61	0.2
USD/INR (INR / 1 USD)	85.79	85.46	0.4
USD/CNY (CNY / 1 USD)	7.2569	7.2702	(0.2)
DXY Index	104.21	104.26	0

Source: Bloomberg, Bank of Baroda Research | Note: Brackets indicate depreciation against the dollar | Note: INR trading was closed on 1 Apr 2025



- Risk off sentiments dominated sovereign bond demand. Germany's 10Y yield fell by 5bps amidst cooling inflation in the Euro Zone which created headroom for ECB. US and UK's 10Y yield also fell by 4bps, each amidst softer job data (in the US) and BRC shop price data (UK). India's 10Y yield is trading lower at 6.54% today, as expectations of rate cut by RBI builds up.

Fig 3 – Bond 10Y yield

	31-03-2025	01-04-2025	Change, bps
US	4.21	4.17	(4)
UK	4.68	4.63	(4)
Germany	2.74	2.69	(5)
Japan	1.49	1.50	1
China	1.82	1.81	(1)
India	6.60	6.58	(2)

Source: Bloomberg, Bank of Baroda Research | Note: India's G-sec trading was closed on 1 Apr 2025

Fig 4 – Short term rates

	27-03-2025	28-03-2025	Change, bps
Tbill-91 days	6.51	6.34	(17)
Tbill-182 days	6.47	6.49	2
Tbill-364 days	6.44	6.44	0
G-Sec 2Y	6.47	6.42	(5)
India OIS-2M	6.13	6.13	0
India OIS-9M	6.04	6.05	1
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.34	4.41	7

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	29-03-2025	30-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.7	0.9	0.2
Reverse Repo	0	0	0
Repo*	2.7	2.7	0

Source: RBI, Bank of Baroda Research, *Includes LTRO | Note: Markets in India were closed on 31 Mar 2025

Fig 6 – Capital market flows

	26-03-2025	27-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	129.9	1,120.1	990.2
Debt	(156.4)	173.1	329.5
Equity	286.2	946.9	660.7
Mutual funds (Rs cr)	(5,150.1)	(8,086.6)	(2,936.5)
Debt	(4,149.2)	(5,518.1)	(1,369.0)
Equity	(1,000.9)	(2,568.5)	(1,567.6)

Source: Bloomberg, Bank of Baroda Research

- Oil prices moderated as demand concerns outweighed supply jitters.

Fig 7 – Commodities

	31-03-2025	01-04-2025	Change, %
Brent crude (US\$/bbl)	74.7	74.5	(0.3)
Gold (US\$/ Troy Ounce)	3123.6	3113.4	(0.3)
Copper (US\$/ MT)	9658.7	9650.7	(0.1)
Zinc (US\$/MT)	2836.1	2803.7	(1.1)
Aluminium (US\$/MT)	2533.0	2507.0	(1.0)

Source: Bloomberg, Bank of Baroda Research



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