

MORNING MOCHA

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ECONOMIST

Jahnvi Prabhakar

In US, core PCE (excl food and fuel), Fed's preferred gauge for inflation softened to 2.5% in Apr'25 from 2.7% in Mar'25. This further raises expectation of rate cut later during the year, if inflation continues to cool off. Additionally, the report noted that the personal income on a monthly basis inched up by 0.8% in Apr'25 (0.7% in Mar'25). US trade deficit for goods narrowed down by 46% to US\$ 87.6bn from a record US\$ 162.3bn in Mar'25. On a MoM basis, exports climbed up by 3.4% (2.3% in Mar'25) in Apr'25 while imports growth declined by (-) 19.8% after increasing by 5.7% in Mar'25. US President has proposed new tariffs on steel and aluminium at 50% (From 25%) effective from June 4. In Germany, as per flash estimates, inflation has eased to 2.1% in May'25 against 2.2% increase in Apr'25. This week, ECB is expected to lower rates by 25bps, while BoC is likely to hold rates.

- Except US and UK indices, other global stocks ended lower. Investor continue to monitor ongoing developing surrounding global trade. Amongst other indices, both Nikkei and Hang Seng dropped by 1.2% each. Sensex too closed lower by 0.2% with losses in metal and oil & gas stocks. It is trading weaker today, in line with other Asian stocks.

Fig 1 – Stock markets

	29-05-2025	30-05-2025	Change, %
Dow Jones	42,216	42,270	0.1
S & P 500	5,912	5,912	0
FTSE	8,716	8,772	0.6
Nikkei	38,433	37,965	(1.2)
Hang Seng	23,573	23,290	(1.2)
Shanghai Comp	3,363	3,347	(0.5)
Sensex	81,633	81,451	(0.2)
Nifty	24,834	24,751	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Barring JPY, other global currencies depreciated against a stronger dollar. DXY rose by 0.1% even as treasury yields declined. Revival in global trade tensions fuelled safe haven demand and also supported JPY. INR also depreciated, but is trading stronger today. Asian currencies are trading mixed.

Fig 2 – Currencies

	29-05-2025	30-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1370	1.1347	(0.2)
GBP/USD (1 GBP / USD)	1.3492	1.3459	(0.2)
USD/JPY (JPY / 1 USD)	144.21	144.02	0.1
USD/INR (INR / 1 USD)	85.53	85.58	(0.1)
USD/CNY (CNY / 1 USD)	7.1859	7.1989	(0.2)
DXY Index	99.28	99.33	0.1

Source: Bloomberg, Bank of Baroda Research



- Apart from UK and India, other global 10Y yields closed lower. US 10Y was down by 2bps, as cooler than expected PCE print, and decline in long-term inflation expectations impacted investor sentiments. India's 10Y yield rose by 4bps, and it is trading lower at 6.27% today. The new benchmark security is trading lower at 6.21% today.

Fig 3 – Bond 10Y yield

	29-05-2025	30-05-2025	Change, bps
US	4.42	4.40	(2)
UK	4.65	4.65	0
Germany	2.51	2.50	(1)
Japan	1.53	1.50	(3)
China	1.72	1.71	(1)
India	6.25	6.29	4

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	29-05-2025	30-05-2025	Change, bps
Tbill-91 days	5.60	5.60	0
Tbill-182 days	5.61	5.61	0
Tbill-364 days	5.60	5.60	0
G-Sec 2Y	5.71	5.71	0
India OIS-2M	5.67	5.67	0
India OIS-9M	5.57	5.60	3
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.33	4.33	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	29-05-2025	30-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.8	2.1	0.3
Reverse Repo	0	0	0
Repo*	0.3	0	(0.3)

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

Fig 6 – Capital market flows

	28-05-2025	29-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	378.7	3,172.7	2,794.1
Debt	(164.0)	3,378.4	3,542.3
Equity	542.6	(205.6)	(748.3)
Mutual funds (Rs cr)	1,080.2	20.8	(1,059.4)
Debt	(1,325.9)	(615.5)	710.4
Equity	2,406.1	636.2	(1,769.9)

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

- Oil prices fell, as OPEC+ is set to expand supplies further in Jul'25.

Fig 7 – Commodities

	29-05-2025	30-05-2025	Change, %
Brent crude (US\$/bbl)	64.2	63.9	(0.4)
Gold (US\$/ Troy Ounce)	3317.9	3289.3	(0.9)
Copper (US\$/ MT)	9619.6	9548.1	(0.7)
Zinc (US\$/MT)	2652.8	2596.6	(2.1)
Aluminium (US\$/MT)	2450.5	2444.0	(0.3)

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