

MORNING MOCHA

31 December 2025

ECONOMIST

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Global markets traded in a narrow range in the holiday session. Fed minutes remained the key watchable. FOMC members reflected divergent views of the trajectory of policy rate. Members also pointed towards inflation risks becoming entrenched. Post the release of Fed minutes, CME Fed watch tool has slightly lowered down the probability of a rate cut by Fed in Jan'26 (prob. Currently at 14.9% from 16.6%, a day before). Among other releases, China's official manufacturing PMI edged up to 50.1 in Dec'25 from 49.2 in the previous month. Non-manufacturing PMI also rose to 50.2 from 49.5. Policy support by the government will further act on these numbers. On domestic front, there has been significant outflow in debt-FAR (net) of US\$ 1.5bn in Dec'25, on account of a weaker rupee.

- Barring FTSE and Hang Seng, other indices closed lower/flat. Markets in the UK and HK made notable gains. US markets fell amidst renewed uncertainty around Fed's rate trajectory in CY26 (Fed minutes). Sensex ended flat, as gains in auto and metals were offset by losses in realty and consumer durables. It is trading higher today, while Asian stocks are trading mixed.

Table 1 – Stock markets

	29-12-2025	30-12-2025	Change, %
Dow Jones	48,462	48,367	(0.2)
S & P 500	6,906	6,896	(0.1)
FTSE	9,867	9,941	0.8
Nikkei	50,527	50,339	(0.4)
Hang Seng	25,635	25,855	0.9
Shanghai Comp	3,965	3,965	0
Sensex	84,696	84,675	0
Nifty	25,942	25,939	0

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies fell. DXY rose by 0.2%. JPY fell the by 0.2% as investors are concerned about lack of clarity from BoJ regarding the path of future rate hikes. INR appreciated by 0.1%, supported by data reflecting strong domestic fundamentals (IIP). However, it is trading weaker today, in line with other Asian currencies.

Table 2 – Currencies

	29-12-2025	30-12-2025	Change, %
EUR/USD (1 EUR / USD)	1.1773	1.1748	(0.2)
GBP/USD (1 GBP / USD)	1.3512	1.3468	(0.3)
USD/JPY (JPY / 1 USD)	156.06	156.41	(0.2)
USD/INR (INR / 1 USD)	89.98	89.79	0.2
USD/CNY (CNY / 1 USD)	7.0060	6.9958	0.1
DXY Index	98.04	98.24	0.2

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields remained range-bound in absence of any fresh cues. 10Y yields in US, UK and Japan edged up a tad higher. Germany's 10Y yield rose by 3bps as inflation data in Spain build up expectations of status quo by ECB. India's 10Y yield fell by 1bps. It is trading at 6.59% today.

Table 3 – Bond 10Y yield

	29-12-2025	30-12-2025	Change, bps
US	4.11	4.12	1
UK	4.49	4.50	1
Germany	2.83	2.86	3
Japan	2.05	2.07	1
China	1.86	1.86	0
India	6.59	6.58	(1)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	29-12-2025	30-12-2025	Change, bps
Tbill-91 days	5.37	5.34	(3)
Tbill-182 days	5.45	5.42	(3)
Tbill-364 days	5.53	5.49	(4)
G-Sec 2Y	5.77	5.81	4
India OIS-2M	5.34	5.31	(3)
India OIS-9M	5.43	5.41	(2)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.76	3.77	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	29-12-2025	30-12-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.7)	(0.1)	0.6

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	26-12-2025	29-12-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(210.1)	(371.2)	(161.0)
Debt	(24.0)	(80.3)	(56.4)
Equity	(186.2)	(290.8)	(104.7)
Mutual funds (Rs cr)	(879.0)	1,199.4	2,078.4
Debt	(1,603.0)	(297.4)	1,305.5
Equity	723.9	1,496.8	772.9

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 24 Dec and 26 Dec 2025

- Oil prices remained flat, awaiting development on Russia-Ukraine peace deal.

Table 7 – Commodities

	29-12-2025	30-12-2025	Change, %
Brent crude (US\$/bbl)	61.9	61.9	0
Gold (US\$/ Troy Ounce)	4,332.4	4,339.5	0.2
Copper (US\$/ MT)	12,253.4	12,598.4	2.8
Zinc (US\$/MT)	3,058.5	3,091.8	1.1
Aluminium (US\$/MT)	2,952.0	2,980.0	0.9

Source: Bloomberg, Bank of Baroda Research



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