

## MORNING MOCHA

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US President made good of his election promise as he announced sweeping tariffs on a majority of US' trading partners. As a first step, an additional ad valorem duty of 10% was imposed on all US imports, starting from 5 Apr 2025. Apart from this, additional duties were also announced country wise which will be applicable from 9 Apr 2025. As per these announcements, tariff rate on China was raised to 34%, EU to 20%, Vietnam to 46%, Taiwan to 32% and India to 26%. With the announcement of higher-than-expected tariffs, global investor sentiment is likely to take a hit leading to heightened volatility, even as some countries may seek to negotiate a deal. On the other hand, some countries are likely to reply with retaliatory tariffs, which can have dire consequences for the global economy. Hence, uncertainty is likely to remain the operative word for global markets in the coming days as well.

- Global indices traded cautiously as majority of the markets were closed before White House release of detailed tariff rollout. The impact will be felt more profoundly in today's session. Asian stocks are already trading sharply lower, with Nikkei, Hang Seng seeing a major downward bias. Sensex is also trading lower today, following news of 26% tariff on India's exports by the US.

**Fig 1 – Stock markets**

	01-04-2025	02-04-2025	Change, %
Dow Jones	41,990	42,225	0.6
S & P 500	5,633	5,671	0.7
FTSE	8,635	8,608	(0.3)
Nikkei	35,624	35,726	0.3
Hang Seng	23,207	23,203	0
Shanghai Comp	3,348	3,350	0.1
Sensex	76,025	76,617	0.8
Nifty	23,166	23,332	0.7

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies broadly ended higher. DXY slid by 0.4% as latest US tariff salvo spooked investors. Safe-haven demand drove JPY to rise by 0.2%. Both EUR and GBP also appreciated. INR depreciated a tad, and is trading further weaker today. Asian currencies are also trading weaker.

**Fig 2 – Currencies**

	01-04-2025	02-04-2025	Change, %
EUR/USD (1 EUR / USD)	1.0793	1.0853	0.6
GBP/USD (1 GBP / USD)	1.2923	1.3007	0.7
USD/JPY (JPY / 1 USD)	149.61	149.28	0.2
USD/INR (INR / 1 USD)	85.46	85.51	(0.1)
USD/CNY (CNY / 1 USD)	7.2702	7.2677	0
DXY Index	104.26	103.81	(0.4)

Source: Bloomberg, Bank of Baroda Research | Note: Brackets indicate depreciation against the dollar



- US 10Y yield fell the most among major global yields. This was driven by deteriorating risk appetite in a volatile global policy space. Even Japan and China's 10Y yield dipped. For India, the fall was sharpest as RBI's system liquidity returned to surplus. It is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	01-04-2025	02-04-2025	Change, bps
US	4.17	4.13	(4)
UK	4.63	4.64	1
Germany	2.69	2.72	3
Japan	1.50	1.47	(3)
China	1.81	1.79	(2)
India	6.58	6.48	(10)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	01-04-2025	02-04-2025	Change, bps
Tbill-91 days	6.34	6.26	(8)
Tbill-182 days	6.49	6.27	(22)
Tbill-364 days	6.44	6.27	(17)
G-Sec 2Y	6.42	6.30	(12)
India OIS-2M	6.13	6.11	(2)
India OIS-9M	6.05	5.99	(6)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.41	4.39	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	30-03-2025	02-04-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.9	1.9	1.0
Reverse Repo	0	0	0
Repo*	2.7	1.8	(0.9)

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

**Fig 6 – Capital market flows**

	27-03-2025	28-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,120.1	(102.7)	(1,222.7)
Debt	173.1	637.7	464.5
Equity	946.9	(740.3)	(1,687.2)
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 | Note: Mutual funds data as of 26 Mar and 27 Mar 2025

- Oil prices inched up ahead of US tariff announcements.

**Fig 7 – Commodities**

	01-04-2025	02-04-2025	Change, %
Brent crude (US\$/bbl)	74.5	75.0	0.6
Gold (US\$/ Troy Ounce)	3113.4	3134.2	0.7
Copper (US\$/ MT)	9650.7	9653.7	0
Zinc (US\$/MT)	2803.7	2762.4	(1.5)
Aluminium (US\$/MT)	2507.0	2490.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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