

MORNING MOCHA

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ECONOMIST

Jahnavi Prabhakar

Concerns of slowdown in the US economy resurfaced after US jobs report signalled much slower growth in Jul'25. As per the non-farm payrolls data, only 73,000 jobs were added in Jul'25 much lower than anticipated (110,000). Additionally, the data for the last 2-months also has been revised down significantly. The unemployment rate also edged up to 4.2% (4.1% in Jun'25). The disappointing data has raised the likelihood (80%) of Fed rate cut in Sep'25, despite the hawkish tone by Fed chair in the last meeting. Separately, US Michigan consumer sentiment index rose for the 2nd straight month to 61.7 in Jul'25 (60.7 in Jun'25), while the inflation expectations moderated (4.5% from 5% in Jun'25). OPEC+ in principle agreed to accelerate output hike from Sep'25 which could possibly lower oil and gasoline prices. In India manufacturing PMI rose to a 16-month high to 59.1 in Jul'25 (58.4 in Jun'25).

- Global equity indices closed lower as investors monitored the news of tariffs. US indices ended lower amidst dismal jobs report. S&P 500 dropped the most followed by Dow Jones. Sensex moderated further with losses in metal and oil & gas stocks. However, it is trading higher today, in line with Asian stocks.

Fig 1 – Stock markets

	31-07-2025	01-08-2025	Change, %
Dow Jones	44,131	43,589	(1.2)
S & P 500	6,339	6,238	(1.6)
FTSE	9,133	9,069	(0.7)
Nikkei	41,070	40,800	(0.7)
Hang Seng	24,773	24,508	(1.1)
Shanghai Comp	3,573	3,560	(0.4)
Sensex	81,186	80,600	(0.7)
Nifty	24,768	24,565	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher against US\$. DXY fell notably following weakness in economic data, particularly labour market. JPY strengthened the most, backed by safe-haven demand. INR appreciated as oil prices fell significantly. It is trading much stronger even today, in line with other Asian currencies.

Fig 2 – Currencies

	31-07-2025	01-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1415	1.1587	1.5
GBP/USD (1 GBP / USD)	1.3207	1.3279	0.5
USD/JPY (JPY / 1 USD)	150.75	147.40	2.3
USD/INR (INR / 1 USD)	87.60	87.53	0.1
USD/CNY (CNY / 1 USD)	7.2000	7.1933	0.1
DXY Index	99.97	99.14	(0.8)

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed lower. US 10Y yield fell sharply by 16bps, tracking weaker than expected macro data (non-farm payrolls, unemployment rate, and ISM manufacturing index). Thus increasing the chances of a rate cut by Fed in Sep'25. India's 10Y remains range-bound tracking global cues. It is trading notably lower today at 6.34%, eyeing RBI's rate decision later this week.

Fig 3 – Bond 10Y yield

	31-07-2025	01-08-2025	Change, bps
US	4.37	4.22	(16)
UK	4.57	4.53	(4)
Germany	2.70	2.68	(2)
Japan	1.56	1.56	0
China	1.71	1.71	(1)
India	6.37	6.37	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	31-07-2025	01-08-2025	Change, bps
Tbill-91 days	5.39	5.38	(1)
Tbill-182 days	5.50	5.47	(3)
Tbill-364 days	5.56	5.53	(3)
G-Sec 2Y	5.71	5.71	0
India OIS-2M	5.43	5.43	0
India OIS-9M	5.48	5.48	0
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.32	4.39	7

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	31-07-2025	01-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.9	3.7	0.8
Reverse Repo	1.7	0	(1.7)
Repo*	0	0	0

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

Fig 6 – Capital market flows

	30-07-2025	31-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	127.1	(692.2)	(819.3)
Debt	145.7	10.6	(135.1)
Equity	(18.6)	(702.8)	(684.2)
Mutual funds (Rs cr)	1,950.0	(1,259.8)	(3,209.9)
Debt	(3,907.3)	(2,331.2)	1,576.1
Equity	5,857.3	1,071.3	(4,786.0)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 29 Jul and 30 Jul 2025

- Oil prices moderated further as OPEC+ pushed for bumper supply increase.

Fig 7 – Commodities

	31-07-2025	01-08-2025	Change, %
Brent crude (US\$/bbl)	72.5	69.7	(3.9)
Gold (US\$/ Troy Ounce)	3,289.9	3,363.5	2.2
Copper (US\$/ MT)	9,560.2	9,581.3	0.2
Zinc (US\$/MT)	2,753.9	2,716.0	(1.4)
Aluminium (US\$/MT)	2,565.0	2,566.0	0

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