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Fears of a trade-war between the World's largest economies, US and China continued to weigh on investors' sentiments. China announced retaliatory tariffs of 10%-15% on a few US imports such as coal and LNG. While US tariffs have already took effect, China's tariff will kick in from Monday. However, global markets are seeking relief in the fact that the tariffs announced so far by both the nations are not as vengeful as feared and leaves the room open for dialogue. Separately, US JOLTS job openings eased in Dec'24, providing first signs of a slowdown in the labour market. In China, Caixin services PMI dipped to 51 in Jan'25 from 52.2 in Dec'24, mirroring the trend seen in the official PMI. In Japan, real wage growth accelerated further, boosting the case for more rate hikes.

- Apart from FTSE, global indices closed higher. Investors are realigning expectations amidst ongoing trade spats. On one hand, tariffs on Canada and Mexico by US were reprieved, China was prompt in retaliating back. Hang Seng rose the most, led by technology stocks. Sensex inched up, led by capital goods stocks. It is trading lower today, in line with Asian stocks.

Fig 1 – Stock markets

	03-02-2025	04-02-2025	Change, %
Dow Jones	44,422	44,556	0.3
S & P 500	5,995	6,038	0.7
FTSE	8,584	8,571	(0.1)
Nikkei	38,520	38,798	0.7
Hang Seng	20,217	20,790	2.8
Shanghai Comp	3,253	3,251	(0.1)
Sensex	77,187	78,584	1.8
Nifty	23,361	23,739	1.6

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China were closed between 28 Jan 2025 to 4 Feb 2025

- Global currencies ended higher against the dollar. DXY fell by 0.9% tracking a drop in US job openings (JOLTS data). EUR rose by 0.3% despite looming threats of higher tariffs by the US. JPY also appreciated as further rate hikes are expected. INR appreciated marginally tracking a rebound in domestic equities. However, it is trading weaker today in line with other Asian currencies.

Fig 2 – Currencies

	03-02-2025	04-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0344	1.0379	0.3
GBP/USD (1 GBP / USD)	1.2450	1.2480	0.2
USD/JPY (JPY / 1 USD)	154.73	154.34	0.3
USD/INR (INR / 1 USD)	87.20	87.08	0.1
USD/CNY (CNY / 1 USD)	7.2411	7.2446	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China were closed between 28 Jan 2025 to 4 Feb 2025



- Global yields closed mixed. US 10Y yield fell by 4bps marked by softening labour market data (JOLTS data). UK's 10Y yield firmed up tracking ongoing tariff turmoil. Japan's 10Y yield also led by heightened expectations of faster pace of tightening by BoJ. India's 10Y yield inched up marginally, and is trading at 6.66% today.

Fig 3 – Bond 10Y yield

	03-02-2025	04-02-2025	Change, bps
US	4.56	4.51	(4)
UK	4.49	4.52	4
Germany	2.39	2.40	1
Japan	1.25	1.28	3
China	1.66	1.63	(3)
India	6.67	6.67	1

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China were closed between 28 Jan 2025 to 4 Feb 2025

Fig 4 – Short term rates

	03-02-2025	04-02-2025	Change, bps
Tbill-91 days	6.50	6.46	(4)
Tbill-182 days	6.61	6.59	(2)
Tbill-364 days	6.61	6.59	(2)
G-Sec 2Y	6.58	6.57	(1)
India OIS-2M	6.55	6.55	(1)
India OIS-9M	6.33	6.31	(2)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.38	4.35	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-02-2025	04-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.1)	(0.3)	0.8
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-01-2025	03-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,082.4	(196.5)	(1,279.0)
Debt	1,082.6	219.9	(862.7)
Equity	(0.2)	(416.5)	(416.3)
Mutual funds (Rs cr)	(3,348.0)	808.3	4,156.3
Debt	(5,677.2)	39.3	5,716.5
Equity	2,329.2	769.0	(1,560.3)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 31 Jan and 01 Feb 2025

- Oil prices firmed up amidst anticipation of sanctions on Iranian exports by US.

Fig 7 – Commodities

	03-02-2025	04-02-2025	Change, %
Brent crude (US\$/bbl)	76.0	76.2	0.3
Gold (US\$/ Troy Ounce)	2,815.2	2,842.7	1.0
Copper (US\$/ MT)	8,978.6	9,024.7	0.5
Zinc (US\$/MT)	2,750.4	2,754.9	0.2
Aluminium (US\$/MT)	2,623.0	2,637.5	0.6

Source: Bloomberg, Bank of Baroda Research



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