

MORNING MOCHA

05 May 2025

ECONOMIST

Jahnvi Prabhakar

Signs of possible de-escalation of trade tensions between US and China supported global markets. Solid jobs report in Apr'25 (addition of 177k jobs) turned out to be better than estimates, and unemployment rate also remained unchanged at 4.2%. With this, the investors expected Fed will not rush in to cut rates and will likely wait till Jul'25 to cut rates again. Separately, in Japan, unemployment inched up to 2.5% in Mar'25 from 2.4% in Feb'25. Additionally, the job to applicant ratio rose to 1.26 in Mar (1.24 in Feb'25). In South Korea, headline inflation remained flat at 2.1% in Apr'25 and opening up room for Bank of Korea to resume the easing cycle. Inflation in Eurozone rose 2.2% in Apr'25 much higher than expected 2.1%, with core inflation surging to 2.7% (from 2.4% in Mar'25). Investors will closely track upcoming policy meet by Fed this week, along with corporate earnings.

- Major global indices advanced higher. Easing trade tensions between US AND China along with strong jobs data boosted investor sentiments. FTSE continued its winning streak and closed in green supported by strong earnings report. Sensex too ended in green with gains in oil & gas and banking stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

| | 01-05-2025 | 02-05-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 40,753 | 41,317 | 1.4 |
| S & P 500 | 5,604 | 5,687 | 1.5 |
| FTSE | 8,497 | 8,596 | 1.2 |
| Nikkei | 36,452 | 36,831 | 1.0 |
| Hang Seng | 22,119 | 22,505 | 1.7 |
| Shanghai Comp | 3,287 | 3,279 | (0.2) |
| Sensex | 80,242 | 80,502 | 0.3 |
| Nifty | 24,334 | 24,347 | 0.1 |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India, China and Hong Kong were closed on 01 May 2025

- Global currencies ended mixed. Greenback softened even as investors monitored news of possible trade negotiations between US and China. EUR rose amidst news of higher core inflation. INR depreciated despite lower oil prices. It is trading stronger today, other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 01-05-2025 | 02-05-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.1290 | 1.1297 | 0.1 |
| GBP/USD (1 GBP / USD) | 1.3278 | 1.3272 | 0 |
| USD/JPY (JPY / 1 USD) | 145.39 | 144.96 | 0.3 |
| USD/INR (INR / 1 USD) | 84.50 | 84.56 | (0.1) |
| USD/CNY (CNY / 1 USD) | 7.2714 | 7.2714 | 0 |
| DX Index | 100.25 | 100.03 | (0.2) |

Source: Bloomberg, Bank of Baroda Research | Note: Brackets indicate depreciation against US\$ | Markets in India and China were closed on 01 May



- Global yields largely closed higher. US 10Y yield surged supported by stronger than expected nonfarm payrolls for Apr'25. Yields in Germany' and UK climbed up by 9bps and 3bps respectively. Japan's 10Y yield inched up as BoJ kept rates on hold. India's 10Y yield ended flat and is trading at 6.35% today.

Fig 3 – Bond 10Y yield

| | 01-05-2025 | 02-05-2025 | Change, bps |
|---------|------------|------------|-------------|
| US | 4.22 | 4.31 | 9 |
| UK | 4.48 | 4.51 | 3 |
| Germany | 2.44 | 2.53 | 9 |
| Japan | 1.26 | 1.26 | 1 |
| China | 1.63 | 1.63 | 0 |
| India | 6.36 | 6.35 | 0 |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India and China were closed on 01 May 2025

Fig 4 – Short term rates

| | 01-05-2025 | 02-05-2025 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days | 5.89 | 5.90 | 1 |
| Tbill-182 days | 5.92 | 5.91 | (1) |
| Tbill-364 days | 5.90 | 5.89 | (1) |
| G-Sec 2Y | 6.02 | 6.01 | (1) |
| India OIS-2M | 5.87 | 5.86 | (1) |
| India OIS-9M | 5.66 | 5.65 | (1) |
| SONIA int rate benchmark | 4.46 | 4.46 | 0 |
| US SOFR | 4.41 | 4.39 | (2) |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 01 May 2025

Fig 5 – Liquidity

| Rs tn | 30-04-2025 | 02-04-2025 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | 1.3 | 1.6 | 0.3 |
| Reverse Repo | 0 | 0 | 0 |
| Repo* | 0.3 | 0.3 | 0 |

Source: RBI, Bank of Baroda Research, *Includes LTRO | Note: Markets in India were closed on 01 May 2025

Fig 6 – Capital market flows

| | 29-04-2025 | 30-04-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | 43.4 | (191.5) | (234.9) |
| Debt | (232.6) | (211.9) | 20.7 |
| Equity | 276.0 | 20.4 | (255.6) |
| Mutual funds (Rs cr) | (2,083.0) | (7,267.8) | (5,184.8) |
| Debt | (5,390.5) | (8,370.3) | (2,979.8) |
| Equity | 3,307.5 | 1,102.5 | (2,205.0) |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 28 Apr and 29 Apr 2025

- Oil prices slipped as OPEC+ agreed for increasing production even in June.

Fig 7 – Commodities

| | 01-05-2025 | 02-05-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 62.1 | 61.3 | (1.4) |
| Gold (US\$/ Troy Ounce) | 3239.2 | 3240.5 | 0 |
| Copper (US\$/ MT) | 9239.9 | 9385.7 | 1.6 |
| Zinc (US\$/MT) | 2540.6 | 2570.4 | 1.2 |
| Aluminium (US\$/MT) | 2416.0 | 2431.5 | 0.6 |

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com