

MORNING MOCHA

06 August 2025

ECONOMIST

Jahnavi Prabhakar

In the US, overall trade deficit narrowed down to US\$ 60.2bn (2-year low) in Jun'25 from US\$ 11.5bn in May'25. The exports were down by 0.5% at US\$ 277.3bn (US\$ 278mn in May'25), while imports declined by 3.7% at US\$ 337.5mn. This is largely led by lower imports of consumer goods and industrial supplies and materials. The lower trade deficit would have significantly contributed to GDP growth in Q2CY25 which rebounded by 3% from after contracting by 0.5% in Q1. Services PMI (ISM) moderated marginally to 50.1 in Jul'25 (50.8 in Jun'25) even as orders remained steady but weakness was noted in employment activity. In the coming week, US President is expected to announce tariffs on Pharma and semiconductors, with tariffs on pharma to be as high as 250%. In India, the focus will shift towards upcoming rate decision by RBI. We expect a status quo.

- Global equity indices closed mixed. US indices ended lower as investors monitored weaker than expected economic data. On the other hand, Shanghai Comp surged past the 3600-mark led by a rally in telecommunication and consumer electronic stocks. Sensex slipped with losses in oil & gas stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	04-08-2025	05-08-2025	Change, %
Dow Jones	44,174	44,112	(0.1)
S & P 500	6,330	6,299	(0.5)
FTSE	9,128	9,143	0.2
Nikkei	40,291	40,550	0.6
Hang Seng	24,733	24,903	0.7
Shanghai Comp	3,583	3,618	1.0
Sensex	81,019	80,710	(0.4)
Nifty	24,723	24,650	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against US\$. DXY ended flat, along with CNY and EUR. JPY and INR depreciated the most. Uncertainty around the timing of rate hike by BoJ has impacted the strength of Yen. INR fell by 0.2%. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	04-08-2025	05-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1571	1.1575	0.0
GBP/USD (1 GBP / USD)	1.3285	1.3299	0.1
USD/JPY (JPY / 1 USD)	147.09	147.62	(0.4)
USD/INR (INR / 1 USD)	87.65	87.81	(0.2)
USD/CNY (CNY / 1 USD)	7.1809	7.1840	0
DXY Index	98.78	98.78	0

Source: Bloomberg, Bank of Baroda Research



- Major global 10Y yields closed mixed. While yields in Japan, Germany and China ended lower/flat, they inched up elsewhere. US 10Y yield rose by 2bps, tracking broad steadiness in services activity. Demand for safer assets and expectation of lower policy rates in the US impacted Japan's yield. India's 10Y yield rose by 1bps. It is trading flat today at 6.33%, ahead of RBI's decision.

Fig 3 – Bond 10Y yield

	04-08-2025	05-08-2025	Change, bps
US	4.19	4.21	2
UK	4.51	4.52	1
Germany	2.62	2.62	0
Japan	1.52	1.47	(4)
China	1.71	1.71	0
India	6.32	6.33	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-08-2025	05-08-2025	Change, bps
Tbill-91 days	5.36	5.34	(2)
Tbill-182 days	5.49	5.46	(3)
Tbill-364 days	5.49	5.46	(3)
G-Sec 2Y	5.68	5.70	2
India OIS-2M	5.43	5.42	(1)
India OIS-9M	5.42	5.41	(1)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.34	4.33	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-08-2025	05-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	4.0	4.0	0
Reverse Repo	1.7	1.7	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	01-08-2025	04-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(15.6)	(287.3)	(271.7)
Debt	149.9	(62.4)	(212.3)
Equity	(165.5)	(224.9)	(59.4)
Mutual funds (Rs cr)	(1,259.8)	(1,687.1)	(427.2)
Debt	(2,331.2)	(3,306.2)	(975.0)
Equity	1,071.3	1,619.1	547.8

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 30 Jul and 31 Jul 2025

- Oil prices slipped further amidst weaker global demand.

Fig 7 – Commodities

	04-08-2025	05-08-2025	Change, %
Brent crude (US\$/bbl)	68.8	67.6	(1.6)
Gold (US\$/ Troy Ounce)	3,373.6	3,380.6	0.2
Copper (US\$/ MT)	9,634.3	9,571.2	(0.7)
Zinc (US\$/MT)	2,738.6	2,744.8	0.2
Aluminium (US\$/MT)	2,553.0	2,562.5	0.4

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