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

Visit us at

For further details about this publication, please contact:

Chief Economist
Bank of Baroda
chief.economist@bankofbaroda.com