

**MORNING MOCHA**

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Global markets continued to track evolving dynamics of US policies. With the tariff war likely in check for the time being, focus shifted to US economic data. Global composite PMI decelerated to a 12-month low, led by a slowdown in services activity, even as manufacturing sector showed signs of a rebound. In the US, while private payrolls (ADP) rose, ISM services PMI edged down. Federal Reserve Vice Chair suggested keeping rates at current levels due to uncertainty over impact of government policies. In contrast, BoJ's Board member sees policy rates increasing to 1% from 0.5% currently, due to a build-up in inflationary pressures. In India, services PMI stood at 56.5 in Jan'25 compared with 59.3 in Dec'24, remaining steadily above the historical average. While higher competition impinged on growth prospects, this was offset by an uptick in international orders.

- Global indices closed mixed. Investors remained cautious tracking ongoing developments around global tariffs and lacklustre corporate earnings. US stocks ended higher, while Asian stocks (barring Nikkei) were impacted by China's retaliatory tariff response. Sensex edged down on account of fall in real estate stocks. It is trading lower today, while Asian stocks are trading higher.

**Fig 1 – Stock markets**

|               | 04-02-2025 | 05-02-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones     | 44,556     | 44,873     | 0.7       |
| S & P 500     | 6,038      | 6,061      | 0.4       |
| FTSE          | 8,571      | 8,623      | 0.6       |
| Nikkei        | 38,798     | 38,831     | 0.1       |
| Hang Seng     | 20,790     | 20,597     | (0.9)     |
| Shanghai Comp | 3,251      | 3,229      | (0.6)     |
| Sensex        | 78,584     | 78,271     | (0.4)     |
| Nifty         | 23,739     | 23,696     | (0.2)     |

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell by 0.4% tracking a dip in US treasury yields and mixed macro data. JPY rose, supported by hawkish comments from BoJ's Board member. INR depreciated by 0.4% to a fresh record low. It is trading further weaker today, while Asian currencies are trading higher.

**Fig 2 – Currencies**

|                       | 04-02-2025 | 05-02-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.0379     | 1.0403     | 0.2       |
| GBP/USD (1 GBP / USD) | 1.2480     | 1.2505     | 0.2       |
| USD/JPY (JPY / 1 USD) | 154.34     | 152.61     | 1.1       |
| USD/INR (INR / 1 USD) | 87.08      | 87.46      | (0.4)     |
| USD/CNY (CNY / 1 USD) | 7.2446     | 7.2721     | (0.4)     |

Source: Bloomberg, Bank of Baroda Research



- Except Japan (tad higher), global yields closed lower. US 10Y yield fell sharply as ISM services PMI moderated. UK's 10Y yield also fell at a similar pace as a 25bps rate cut by BoE has been priced in. Japan's 10Y yield was impacted by expectations of faster pace of rate hikes as pointed by a BoJ Board member. India's 10Y fell marginally, and is trading further lower at 6.65% today.

**Fig 3 – Bond 10Y yield**

|         | 04-02-2025 | 05-02-2025 | Change, bps |
|---------|------------|------------|-------------|
| US      | 4.51       | 4.42       | (9)         |
| UK      | 4.52       | 4.44       | (9)         |
| Germany | 2.40       | 2.37       | (3)         |
| Japan   | 1.28       | 1.29       | 1           |
| China   | 1.63       | 1.62       | (1)         |
| India   | 6.67       | 6.66       | (1)         |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 04-02-2025 | 05-02-2025 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days            | 6.46       | 6.46       | 0           |
| Tbill-182 days           | 6.59       | 6.57       | (2)         |
| Tbill-364 days           | 6.59       | 6.53       | (6)         |
| G-Sec 2Y                 | 6.57       | 6.56       | (1)         |
| India OIS-2M             | 6.55       | 6.53       | (2)         |
| India OIS-9M             | 6.31       | 6.31       | 0           |
| SONIA int rate benchmark | 4.70       | 4.70       | 0           |
| US SOFR                  | 4.35       | 4.33       | (2)         |

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

| Rs tn                             | 04-02-2025 | 05-02-2025 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | (0.3)      | (0.5)      | (0.2)          |
| Reverse Repo                      | 0          | 0          | 0              |
| Repo                              | 1.6        | 1.6        | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 03-02-2025 | 04-02-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | (196.5)    | 376.3      | 572.8                  |
| Debt                 | 219.9      | 258.1      | 38.2                   |
| Equity               | (416.5)    | 118.2      | 534.6                  |
| Mutual funds (Rs cr) | 808.3      | (2,393.8)  | (3,202.0)              |
| Debt                 | 39.3       | (3,901.5)  | (3,940.8)              |
| Equity               | 769.0      | 1,507.8    | 738.8                  |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 01 Feb and 03 Feb 2025

- Oil prices softened amidst large build-up in US crude inventories.

**Fig 7 – Commodities**

|                         | 04-02-2025 | 05-02-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl)  | 76.2       | 74.6       | (2.1)     |
| Gold (US\$/ Troy Ounce) | 2,842.7    | 2,867.2    | 0.9       |
| Copper (US\$/ MT)       | 9,024.7    | 9,114.5    | 1.0       |
| Zinc (US\$/MT)          | 2,754.9    | 2,726.4    | (1.0)     |
| Aluminium (US\$/MT)     | 2,637.5    | 2,616.0    | (0.8)     |

Source: Bloomberg, Bank of Baroda Research



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