

MORNING MOCHA

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US President exempted automakers from the 25% tariff imposed on Canada and Mexico for a month. Other exemptions are also being considered, possibly signalling a softer stance on tariffs. A smaller than expected increase in private payrolls in the US once again stoked fears of a slowdown, even as services PMI inched up. Separately, both China and Germany are considering greater fiscal support to boost growth and counter the impact of an escalation in trade tensions with the US. In India, services PMI jumped to 59.0 in Feb'25 from a 26-month low in Jan'25, led by a surge in new orders. To manage anticipated liquidity crunch due to financial year end related outflows, RBI announced OMO purchase of Rs. 1 lakh crores and USD/INR buy/sell swap auction of US\$ 10bn (36 months). These measures are expected to infuse additional liquidity of ~Rs. 1.8-1.9 lakh crores.

- Global markets ended higher driven by US decision to delay auto tariffs on Canada and Mexico. Hang Seng firmed up, led by technology stocks. Further, equity market sentiments were bolstered as China set an unchanged growth target for three straight years, despite ongoing volatility. Sensex inched up, led by power stocks. It is trading lower today; Asian stocks are trading mixed.

Fig 1 – Stock markets

	04-03-2025	05-03-2025	Change, %
Dow Jones	42,521	43,007	1.1
S & P 500	5,778	5,843	1.1
FTSE	8,759	8,756	0
Nikkei	37,331	37,418	0.2
Hang Seng	22,942	23,594	2.8
Shanghai Comp	3,324	3,342	0.5
Sensex	72,990	73,730	1.0
Nifty	22,083	22,337	1.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies appreciated. DXY fell by 1.4% as US private payrolls rose less than expected. EUR jumped led by anticipation of higher borrowing limits. INR appreciated by 0.3%, supported by positive global cues. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	04-03-2025	05-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0626	1.0789	1.5
GBP/USD (1 GBP / USD)	1.2795	1.2895	0.8
USD/JPY (JPY / 1 USD)	149.79	148.88	0.6
USD/INR (INR / 1 USD)	87.27	86.97	0.3
USD/CNY (CNY / 1 USD)	7.2639	7.2369	0.4
DXY Index	105.74	104.28	(1.4)

Source: Bloomberg, Bank of Baroda Research | Note: Figures in brackets indicate depreciation against the dollar



- The sell-off in global bonds ramped up, led by Germany which rose by 30bps (highest since 1 Nov 2023). This was on account of anticipation of debt overhaul under the new administration. UK's 10Y yield firmed up as BoE Governor hinted that inflation is likely to peak later in CY25, driven by hike in payroll tax. India's 10Y yield fell, led by improving liquidity situation. It is trading further lower today.

Fig 3 – Bond 10Y yield

	04-03-2025	05-03-2025	Change, bps
US	4.24	4.28	3
UK	4.53	4.68	15
Germany	2.50	2.79	30
Japan	1.43	1.45	2
China	1.76	1.76	0
India	6.75	6.71	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-03-2025	05-03-2025	Change, bps
Tbill-91 days	6.47	6.48	1
Tbill-182 days	6.57	6.59	2
Tbill-364 days	6.52	6.55	3
G-Sec 2Y	6.57	6.56	(1)
India OIS-2M	6.44	6.41	(3)
India OIS-9M	6.25	6.22	(3)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.33	4.33	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-03-2025	05-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.2)	(0.5)	(0.3)
Reverse Repo	0	0	0
Repo*	2.2	2.2	0

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

Fig 6 – Capital market flows

	03-03-2025	04-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(101.1)	(334.0)	(232.9)
Debt	432.7	70.7	(362.1)
Equity	(533.9)	(404.7)	129.2
Mutual funds (Rs cr)	2,286.9	(3,398.5)	(5,685.5)
Debt	(3,395.6)	(5,444.4)	(2,048.7)
Equity	5,682.6	2,045.8	(3,636.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 24 Feb and 25 Feb 2025

- Oil prices fell led by demand concerns and higher US inventories.

Fig 7 – Commodities

	04-03-2025	05-03-2025	Change, %
Brent crude (US\$/bbl)	71.0	69.3	(2.4)
Gold (US\$/ Troy Ounce)	2917.9	2919.4	0.1
Copper (US\$/ MT)	9328.4	9586.9	2.8
Zinc (US\$/MT)	2779.5	2847.0	2.4
Aluminium (US\$/MT)	2616.5	2658.5	1.6

Source: Bloomberg, Bank of Baroda Research



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