

MORNING MOCHA

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Jahnavi Prabhakar

Global growth concerns resurfaced amidst the uncertainty on tariff front after US President Trump announced new tariffs. In the upcoming policy meet, Fed is expected to hold rates steady. Investors expect the rate cut to begin from Jul'25 with 2 rate cuts factored in for CY25. US ISM PMI edged up to 51.6 in Apr from 50.8 in Mar'25 with employment index inching up to 49 (from 46.2) signalling some improvement in labor market. Separately, in China, the Caixin services PMI slipped to 7-month low to 50.7 in Apr'25 from 51.9 in Mar'25. This was on account of the ongoing trade conflict between US and China, with slower growth noted in new business. Despite higher input costs, pass on to the consumers was lower. Overall composite PMI dropped to 51.1 in Apr from 51.8 in Mar'25.

- Global indices ended mixed. US indices closed in red as uncertainty related to tariff returned back to the fold and ahead of Fed's rate decision scheduled this week. Investors expect a status quo on rates. Sensex continued its winning streak with oil & gas and auto stocks amongst the major gainers. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	02-05-2025	05-05-2025	Change, %
Dow Jones	41,317	41,219	(0.2)
S & P 500	5,687	5,650	(0.6)
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	80,502	80,797	0.4
Nifty	24,347	24,461	0.5

Source: Bloomberg, Bank of Baroda Research | Note: UK and China's market were shut on 5th May 2025

- Major global currencies ended higher. Dollar index slipped below the 100 mark amidst the ongoing volatility in the currency market with Taiwan dollar gaining by over 8% in the span of 2-days. JPY gained given higher demand for safe haven asset class. INR appreciated amidst lower oil prices. However, it is trading lower today, other Asian currencies are trading mixed.

Fig 2 – Currencies

	02-05-2025	05-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1297	1.1315	0.2
GBP/USD (1 GBP / USD)	1.3272	1.3296	0.2
USD/JPY (JPY / 1 USD)	144.96	143.70	0.9
USD/INR (INR / 1 USD)	84.56	84.25	0.4
USD/CNY (CNY / 1 USD)	7.2714	7.2714	0
DX Index	100.03	99.83	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: Brackets indicate depreciation against US\$ Note: UK and China's market shut on 5th May 2025

- US 10Y yield firmed up amidst better print reflected in ISM services data. Germany's 10Y yield softened as ECB official hinted at more rate cuts. India's 10Y yield fell by 3bps. The liquidity support rolled out by RBI is giving yields the desired comfort. It is trading at 6.34% today.

Fig 3 – Bond 10Y yield

	02-05-2025	05-05-2025	Change, bps
US	4.31	4.34	4
UK	4.48	4.51	3
Germany	2.53	2.52	(2)
Japan	1.26	1.26	1
China	1.63	1.63	0
India	6.35	6.33	(3)

Source: Bloomberg, Bank of Baroda Research| Note: UK and China's market were shut on 5th May 2025**Fig 4 – Short term rates**

	02-05-2025	05-05-2025	Change, bps
Tbill-91 days	5.90	5.88	(2)
Tbill-182 days	5.91	5.90	(1)
Tbill-364 days	5.89	5.87	(2)
G-Sec 2Y	6.01	5.98	(3)
India OIS-2M	5.86	5.87	1
India OIS-9M	5.65	5.66	1
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.41	4.39	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	02-05-2025	05-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.6	1.2	(0.4)
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	30-04-2025	02-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(191.5)	372.6	564.1
Debt	(211.9)	37.9	249.8
Equity	20.4	334.7	314.3
Mutual funds (Rs cr)	(7,267.8)	(2,039.1)	5,228.7
Debt	(8,370.3)	(4,052.1)	4,318.3
Equity	1,102.5	2,012.9	910.4

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

- Oil prices eased as Saudi Arabia hinted at increase in supply.

Fig 7 – Commodities

	02-05-2025	05-05-2025	Change, %
Brent crude (US\$/bbl)	61.3	60.2	(1.7)
Gold (US\$/ Troy Ounce)	3240.5	3334.1	2.9
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



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com