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Tensions of global trade war escalated further after China responded with retaliatory measures by imposing 34% tariffs on US imports. This was in response to the US levying a total of 54% tariffs against China. US Fed Chair stated that the US tariffs have been 'larger than expected' and raise concerns of elevated inflation and slower growth. Analyst have also raised prospects (60% from 40% earlier) of global economy possibly slipping in to recession in CY25. Separately in a positive news, the non-farm payrolls in the US jumped higher than expected by 228k against an estimate of 135k, though unemployment inched up to 4.2% (from 4.1% earlier). On domestic front, markets will closely track the RBI's policy decision this week. We expect a 25bps rate cut, followed by atleast 2 more cuts this year.

- Global stocks slumped further after China announced reciprocal tariffs on US goods. Escalated concerns of economic slowdown weighed on investor sentiments. Amongst other indices, US stocks declined the most followed by losses in FTSE and Nikkei. Domestic markets also ended in red led by subdued global cues with deep losses in metal and capital good stocks. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	03-04-2025	04-04-2025	Change, %
Dow Jones	40,546	38,315	(5.5)
S & P 500	5,397	5,074	(6.0)
FTSE	8,475	8,055	(5.0)
Nikkei	34,736	33,781	(2.8)
Hang Seng	23,203	22,850	(1.5)
Shanghai Comp	3,350	3,342	(0.2)
Sensex	76,295	75,365	(1.2)
Nifty	23,250	22,904	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Except INR (higher), other global currencies depreciated. DXY rose 0.9% as tariff announcement by the US has raised global economic uncertainties, thereby fuelling safe haven demand. INR appreciated, helped by decline in oil prices. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	03-04-2025	04-04-2025	Change, %
EUR/USD (1 EUR / USD)	1.1052	1.0956	(0.9)
GBP/USD (1 GBP / USD)	1.3100	1.2887	(1.6)
USD/JPY (JPY / 1 USD)	146.06	146.93	(0.6)
USD/INR (INR / 1 USD)	85.44	85.24	0.2
USD/CNY (CNY / 1 USD)	7.2677	7.2818	(0.2)
DXY Index	102.07	103.02	0.9

Source: Bloomberg, Bank of Baroda Research | Note: Brackets indicate depreciation against the dollar



- Global bond yields continue to slide. Japan's 10Y yield fell most steeply (-17bps) as BoJ is unlikely to hike rates now amidst economic uncertainties. US 10Y yield has fallen below 4% mark (lowest since Oct'24). US tariff plans and increased risk of recession have impacted market sentiments. India's 10Y yield fell by 3bps, tracking global cues. It is trading at 6.48% today.

Fig 3 – Bond 10Y yield

	03-04-2025	04-04-2025	Change, bps
US	4.03	3.99	(3)
UK	4.52	4.45	(7)
Germany	2.65	2.58	(7)
Japan	1.37	1.22	(16)
China	1.79	1.72	(7)
India	6.50	6.46	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	03-04-2025	04-04-2025	Change, bps
Tbill-91 days	6.08	6.06	(2)
Tbill-182 days	6.23	6.22	(1)
Tbill-364 days	6.23	6.20	(3)
G-Sec 2Y	6.30	6.22	(7)
India OIS-2M	6.08	6.06	(3)
India OIS-9M	5.98	5.91	(6)
SONIA int rate benchmark	4.45	4.46	0
US SOFR	4.37	4.39	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-04-2025	04-04-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.2	1.8	(0.4)
Reverse Repo	0	0	0
Repo*	1.8	0.6	(1.2)

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

Fig 6 – Capital market flows

	02-04-2025	03-04-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	16.4	(681.7)	(698.1)
Debt	140.2	(336.3)	(476.5)
Equity	(123.9)	(345.4)	(221.6)
Mutual funds (Rs cr)	4,081.6	5,791.8	1,710.2
Debt	49.1	3,719.0	3,669.9
Equity	4,032.5	2,072.8	(1,959.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 1 Apr and 2 Apr 2025

- Oil prices decline further, as China escalates trade war with retaliatory tariffs.

Fig 7 – Commodities

	03-04-2025	04-04-2025	Change, %
Brent crude (US\$/bbl)	70.1	65.6	(6.5)
Gold (US\$/ Troy Ounce)	3115.3	3038.2	(2.5)
Copper (US\$/ MT)	9319.3	8717.1	(6.5)
Zinc (US\$/MT)	2701.0	2645.5	(2.1)
Aluminium (US\$/MT)	2448.0	2378.5	(2.8)

Source: Bloomberg, Bank of Baroda Research



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