

MORNING MOCHA

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ECONOMIST

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In India, the Central Bank in line with expectations, maintained status quo on rates and on stance. GDP growth was retained at 6.5% for FY26, while inflation projection was revised downwards to 3.1% from 3.7% earlier for FY26. Furthermore, inflation has been projected at 4.9% for Q1FY27. On tariff front, US President has announced an additional tariff of 25% on India in the form of 'penalty' for Russian crude oil imports. These will be effective from 27 Aug and has raised the total tariff to as high as 50%. There are also reports of 100% tariffs to be imposed on semiconductor chips. This is expected to adversely impact both Taiwan and Japan. Separately in China, exports growth rose by 7%, much higher than expectation, while imports climbed up 4% in Jul'25 (highest jump in over a year). Investor will turn their focus towards BoE decision scheduled later today.

- Barring domestic indices and Hang Seng, other global indices rebounded. US indices advanced as investors monitored better than expected earnings report. Sensex continued its downward momentum with losses in real estate and IT stocks. It is trading lower today; other Asian stocks are trading higher.

Fig 1 – Stock markets

	05-08-2025	06-08-2025	Change, %
Dow Jones	44,112	44,193	0.2
S & P 500	6,299	6,345	0.7
FTSE	9,143	9,164	0.2
Nikkei	40,550	40,795	0.6
Hang Seng	24,903	24,911	0
Shanghai Comp	3,618	3,634	0.5
Sensex	80,710	80,544	(0.2)
Nifty	24,650	24,574	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except CNY, all other currencies closed higher. DXY fell by (-) 0.6%, as investors processed weaker than expected services PMI data and signals of rise in prices. Also, talks of new Fed Chair nominee is making market participants jittery. INR rose by 0.1%, supported by continued decline in oil prices. It is trading even stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	05-08-2025	06-08-2025	Change, %
EUR/USD (1 EUR / USD)	1.1575	1.1660	0.7
GBP/USD (1 GBP / USD)	1.3299	1.3357	0.4
USD/JPY (JPY / 1 USD)	147.62	147.37	0.2
USD/INR (INR / 1 USD)	87.81	87.74	0.1
USD/CNY (CNY / 1 USD)	7.1840	7.1824	0
DXY Index	98.78	98.18	(0.6)

Source: Bloomberg, Bank of Baroda Research



- Major global yields inched up. US 10Y yield rose by 2bps, due to weak demand in the weekly auction. Rise in price sub-index of ISM services has also raised concerns regarding risks of stagflation. India's 10Y yield rose most significantly, by 8bps, tracking RBI's hawkish pause signal. However, it is trading a tad lower today at 6.41%, following global cues (additional 25% tariff on India).

Fig 3 – Bond 10Y yield

	05-08-2025	06-08-2025	Change, bps
US	4.21	4.23	2
UK	4.52	4.53	1
Germany	2.62	2.65	3
Japan	1.47	1.50	3
China	1.71	1.70	(1)
India	6.33	6.42	8

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	05-08-2025	06-08-2025	Change, bps
Tbill-91 days	5.34	5.44	10
Tbill-182 days	5.46	5.54	8
Tbill-364 days	5.46	5.57	11
G-Sec 2Y	5.70	5.77	7
India OIS-2M	5.42	5.46	4
India OIS-9M	5.41	5.48	7
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.33	4.34	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-08-2025	06-08-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	4.0	3.9	(0.1)
Reverse Repo	1.7	1.7	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	04-08-2025	05-08-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(287.3)	321.4	608.7
Debt	(62.4)	143.6	206.0
Equity	(224.9)	177.8	402.7
Mutual funds (Rs cr)	(1.2)	(7,067.8)	(7,066.6)
Debt	(1,483.6)	(10,332.5)	(8,848.9)
Equity	1,482.4	3,264.7	1,782.3

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 01 Aug and 04 Aug 2025

- Oil prices slid amidst planned supply increase from OPEC+.

Fig 7 – Commodities

	05-08-2025	06-08-2025	Change, %
Brent crude (US\$/bbl)	67.6	66.9	(1.1)
Gold (US\$/ Troy Ounce)	3,380.6	3,369.3	(0.3)
Copper (US\$/ MT)	9,571.2	9,613.4	0.4
Zinc (US\$/MT)	2,744.8	2,778.7	1.2
Aluminium (US\$/MT)	2,562.5	2,609.0	1.8

Source: Bloomberg, Bank of Baroda Research



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