

MORNING MOCHA

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Ahead of the crucial meeting with US, China's Central Bank PBoC has reduced lending rate by 25bps to 1.5%, its 7-day reverse purchase agreement is also down to 1.4% (by 10bps). Even the RRR (reserve requirement ratio) has been lowered by 50bps to 6.2%. The measures have been taken to safeguard the economy from any adverse impact related to tariffs and also act as an aid in economic recovery. China has lately been witnessing slowdown concerns, evident from recent data (slower services PMI and disappointing factory activity). On the domestic front, India and UK have signed a free trade agreement which is expected to double the bilateral trade in the next decade (existing US\$ 20 bn) and provide liberalised access. Markets this week will closely track upcoming Fed meet and risk of geo-political uncertainty.

- Global indices ended mixed. US indices closed lower awaiting rate decision and uncertainty pertaining to tariffs on pharma. Investors also monitored subdued corporate earnings. Sensex closed in red with losses in real estate and power stocks. It is trading lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	05-05-2025	06-05-2025	Change, %
Dow Jones	41,219	40,829	(0.9)
S & P 500	5,650	5,607	(0.8)
FTSE	8,596	8,597	0
Nikkei	36,452	36,831	1.0
Hang Seng	22,505	22,663	0.7
Shanghai Comp	3,279	3,316	1.1
Sensex	80,797	80,641	(0.2)
Nifty	24,461	24,380	(0.3)

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

- Except INR, other global currencies rose against the dollar. DXY declined ahead of the Fed policy meet. JPY appreciated for the 3rd straight session and rose by 0.9%. EUR rose tracking an improvement in Eurozone's composite PMI. INR depreciated and is trading further weaker today amidst an escalation in geo-political tensions. Other Asian currencies are also trading lower.

Fig 2 – Currencies

	05-05-2025	06-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1315	1.1370	0.5
GBP/USD (1 GBP / USD)	1.3296	1.3369	0.5
USD/JPY (JPY / 1 USD)	143.70	142.45	0.9
USD/INR (INR / 1 USD)	84.25	84.44	(0.2)
USD/CNY (CNY / 1 USD)	7.2714	7.2190	0.7
DXY Index	99.83	99.24	(0.6)

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



- Global yields ended mixed. US 10Y yield slipped by 5bps amidst strong auction demand. Investors also tracked US-China trade developments. Yields in Germany edged up by 2bps as conservative leader Friedrich Merz was elected as German Chancellor. India's 10Y yield firmed up by 3bps, and is trading further higher today tracking geo-political developments.

Fig 3 – Bond 10Y yield

	05-05-2025	06-05-2025	Change, bps
US	4.34	4.29	(5)
UK	4.51	4.51	1
Germany	2.52	2.54	2
Japan	1.26	1.26	0
China	1.63	1.63	0
India	6.33	6.35	3

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

	05-05-2025	06-05-2025	Change, bps
Tbill-91 days	5.88	5.89	1
Tbill-182 days	5.90	5.90	0
Tbill-364 days	5.87	5.87	0
G-Sec 2Y	5.98	5.99	1
India OIS-2M	5.87	5.86	(1)
India OIS-9M	5.66	5.65	(1)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.39	4.36	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-05-2025	06-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.2	1.4	0.2
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	02-05-2025	05-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	372.6	325.1	(47.6)
Debt	37.9	111.8	73.9
Equity	334.7	213.2	(121.5)
Mutual funds (Rs cr)	(2,039.1)	3,725.0	5,764.1
Debt	(4,052.1)	26.7	4,078.7
Equity	2,012.9	3,698.3	1,685.4

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 30 Apr and 2 May 2025

- Oil prices surged amidst growing demand from Europe and China.

Fig 7 – Commodities

	05-05-2025	06-05-2025	Change, %
Brent crude (US\$/bbl)	60.2	62.2	3.2
Gold (US\$/ Troy Ounce)	3334.1	3431.8	2.9
Copper (US\$/ MT)	9385.7	9559.8	1.9
Zinc (US\$/MT)	2570.4	2593.2	0.9
Aluminium (US\$/MT)	2431.5	2427.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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