

## MORNING MOCHA

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In a tit-for-tat approach, US has threatened China with additional tariffs of 50% if China doesn't withdraw its retaliatory levy of 34% tariff. As fear of global trade war mounted, global market witnessed extreme volatility. Separately, members of PBoC noted that they will provide funding support in order to ensure stability in capital market. Additionally, in order to thwart the tariff blow on exports, the central bank allowed some weakness in Yuan by setting the midpoint rate at 7.2038/\$ (weakest since Sep'23). However, analyst expect this could have far adverse consequences including capital outflow and overall bearish outlook for the economy. In India, the government has raised the excise duty on both petrol and diesel by Rs 2 per litre each, though the retail prices are expected to remain unchanged. Additionally, LPG price of a domestic cylinder has been hiked by Rs 50.

- Global indices recorded extended sell-off as investors monitored the impact of tariffs with escalated fears of a global trade war. Asian stocks declined the most, with Hang Sang leading the pack, as Asian markets have been hit with highest tariffs. Sensex plunged by 3% with metal and real estate stocks amongst the worst hit. However, it is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	04-04-2025	07-04-2025	Change, %
Dow Jones	38,315	37,966	(0.9)
S & P 500	5,074	5,062	(0.2)
FTSE	8,055	7,702	(4.4)
Nikkei	33,781	31,137	(7.8)
Hang Seng	22,850	19,828	(13.2)
Shanghai Comp	3,342	3,097	(7.3)
Sensex	75,365	73,138	(3.0)
Nifty	22,904	22,162	(3.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies fell against the US\$ and DXY rose 0.2%, supported by rise in treasury yields and safe haven demand. GBP declined the most. INR fell by 0.7%, despite dip in oil prices. However, it is trading a tad stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	04-04-2025	07-04-2025	Change, %
EUR/USD (1 EUR / USD)	1.0956	1.0912	(0.4)
GBP/USD (1 GBP / USD)	1.2887	1.2724	(1.3)
USD/JPY (JPY / 1 USD)	146.93	147.84	(0.6)
USD/INR (INR / 1 USD)	85.24	85.84	(0.7)
USD/CNY (CNY / 1 USD)	7.2818	7.3210	(0.5)
DXY Index	103.02	103.26	0.2

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



- Global bond yields closed mixed. 10Y yields in US (19bps) and UK (17bps) rose most sharply as investors fear significant risks to inflation amidst escalating trade war. US has threatened China with additional 50% tariffs. Yields in Japan and China declined steeply. India's 10Y yield rose by 2bps, tracking global cues, and is trading further higher today at 6.50%.

**Fig 3 – Bond 10Y yield**

	04-04-2025	07-04-2025	Change, bps
US	3.99	4.18	19
UK	4.45	4.62	17
Germany	2.58	2.61	4
Japan	1.22	1.12	(10)
China	1.72	1.64	(8)
India	6.46	6.48	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	04-04-2025	07-04-2025	Change, bps
Tbill-91 days	6.06	6.06	0
Tbill-182 days	6.22	6.16	(6)
Tbill-364 days	6.20	6.20	0
G-Sec 2Y	6.22	6.26	4
India OIS-2M	6.06	6.03	(2)
India OIS-9M	5.91	5.89	(2)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.39	4.35	(4)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	04-04-2025	07-04-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.8	1.4	(0.4)
Reverse Repo	0	0	0
Repo*	0.6	0	(0.6)

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

**Fig 6 – Capital market flows**

	03-04-2025	04-04-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(681.7)	(416.0)	265.8
Debt	(336.3)	(48.9)	287.4
Equity	(345.4)	(367.0)	(21.6)
Mutual funds (Rs cr)	5,791.8	9,105.8	3,313.9
Debt	3,719.0	9,782.3	6,063.3
Equity	2,072.8	(676.6)	(2,749.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 2 Apr and 3 Apr 2025

- Oil prices decline further, amidst rising tensions between US and China.

**Fig 7 – Commodities**

	04-04-2025	07-04-2025	Change, %
Brent crude (US\$/bbl)	65.6	64.2	(2.1)
Gold (US\$/ Troy Ounce)	3038.2	2983.3	(1.8)
Copper (US\$/ MT)	8717.1	8693.7	(0.3)
Zinc (US\$/MT)	2645.5	2602.9	(1.6)
Aluminium (US\$/MT)	2378.5	2370.5	(0.3)

Source: Bloomberg, Bank of Baroda Research



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