

MORNING MOCHA

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ECONOMIST

Jahnavi Prabhakar

In line with expectations, US Fed unanimously voted to keep the interest rates unchanged at 4.25-4.5%. Fed Chair Powell cautioned of the growing risk of unemployment and inflation. He noted that 'uncertainty about the economic outlook has increased further'. Overall, Fed is expected to be in a 'wait and watch' mode. He also highlighted if the tariff announced earlier are sustained, that could possibly result in slower economic growth and higher unemployment along with elevated inflation. He reiterated that Fed remains committed to its dual mandate. Analysts expect the next rate cut could possibly be in either July'25 or Sep'25 with another pause likely in the Jun'25 meet. With this, the attention would now shift towards upcoming BoE meeting wherein a 25bps cut is expected amidst growing tariff risk.

- Barring FTSE, global indices closed higher. US stocks monitored Fed policy decision. A wait and watch approach would give further breather. Despite ending lower, FTSE would get support from likely trade deal between US and UK. Shanghai Comp firmed up driven by policy measures. Sensex inched up a tad. It is trading lower today; Asian stocks are trading mixed.

Fig 1 – Stock markets

	06-05-2025	07-05-2025	Change, %
Dow Jones	40,829	41,114	0.7
S & P 500	5,607	5,631	0.4
FTSE	8,597	8,559	(0.4)
Nikkei	36,831	36,780	(0.1)
Hang Seng	22,663	22,692	0.1
Shanghai Comp	3,316	3,343	0.8
Sensex	80,641	80,747	0.1
Nifty	24,380	24,414	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Market in Japan was shut on 6th May 2025

- Global currencies ended lower. DXY strengthened after Fed downplayed the possibilities of rate cuts. Additionally, better than expected US consumer credit data provided support. EUR slipped amidst weaker than expected retail sales. INR depreciated to its lowest this month given heightened geopolitical tensions. However, it is trading stronger today, other Asian currencies are trading mixed.

Fig 2 – Currencies

	06-05-2025	07-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1370	1.1301	(0.6)
GBP/USD (1 GBP / USD)	1.3369	1.3292	(0.6)
USD/JPY (JPY / 1 USD)	142.45	143.83	(1.0)
USD/INR (INR / 1 USD)	84.44	84.83	(0.5)
USD/CNY (CNY / 1 USD)	7.2190	7.2275	(0.1)
DXY Index	99.24	99.61	0.4

Source: Bloomberg, Bank of Baroda Research



- Germany's 10Y yield fell at the sharpest pace amidst risk off sentiment as counter measures by European Commission is expected against US tariffs. UK's 10Y yield also fell considerably amidst expectation of dovish policy from BoE. India's 10Y yield fell a tad. It is trading at 6.32% today while the new benchmark security is at 6.3%.

Fig 3 – Bond 10Y yield

	06-05-2025	07-05-2025	Change, bps
US	4.29	4.27	(3)
UK	4.51	4.46	(5)
Germany	2.54	2.48	(6)
Japan	1.26	1.31	4
China	1.63	1.64	1
India	6.35	6.34	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-05-2025	07-05-2025	Change, bps
Tbill-91 days	5.89	5.87	(2)
Tbill-182 days	5.90	5.88	(2)
Tbill-364 days	5.87	5.85	(2)
G-Sec 2Y	5.99	5.92	(7)
India OIS-2M	5.86	5.84	(2)
India OIS-9M	5.65	5.62	(3)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.33	4.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-05-2025	07-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.4	1.4	0
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	05-05-2025	06-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	325.1	422.7	97.6
Debt	111.8	(51.8)	(163.6)
Equity	213.2	474.5	261.3
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 eased as bearish sentiments reigned in over higher supply.

Fig 7 – Commodities

	06-05-2025	07-05-2025	Change, %
Brent crude (US\$/bbl)	62.2	61.1	(1.7)
Gold (US\$/ Troy Ounce)	3431.8	3364.5	(2.0)
Copper (US\$/ MT)	9559.8	9441.2	(1.2)
Zinc (US\$/MT)	2593.2	2579.6	(0.5)
Aluminium (US\$/MT)	2427.0	2382.5	(1.8)

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