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US labour market added 139,000 jobs in May'25, higher than an estimated 130,000 increase. Unemployment rate was steady at 4.2%. The report allayed some fears around the strength of labour market despite a grim growth outlook. Separately, GDP growth in the Eurozone was revised up to 0.6% in Q1 2025, from 0.3% earlier. Similarly, Japan's GDP contracted at a slower pace of 0.2% compared with a decline of 0.7% estimated earlier. In China, CPI inflation declined at an unchanged rate of 0.1% in May'25. On the other hand, PPI deflation exacerbated to 3.3% from 2.7% in Apr'25. Exports growth also moderated to 4.8% in May'25 from 8.1% in Apr'25, as exports to the US dropped sharply despite the trade truce. Imports declined by 3.4%, as domestic demand continues to remain weak. In India, RBI surprised markets by a jumbo rate cut and CRR cut.

- Global stocks ended higher. US stocks rose the most, supported by strong US payroll data, easing fears of recession. Hang Seng traded cautiously tracking trade developments. Sensex firmed up, supported by RBI's outsized cut and liquidity support through lower CRR. It is trading higher today in line with Asian stocks, supported by receding impasse between US-China on critical minerals.

Fig 1 – Stock markets

| | 05-06-2025 | 06-06-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 42,320 | 42,763 | 1.0 |
| S & P 500 | 5,939 | 6,000 | 1.0 |
| FTSE | 8,811 | 8,838 | 0.3 |
| Nikkei | 37,554 | 37,742 | 0.5 |
| Hang Seng | 23,907 | 23,793 | (0.5) |
| Shanghai Comp | 3,384 | 3,385 | 0.0 |
| Sensex | 81,442 | 82,189 | 0.9 |
| Nifty | 24,751 | 25,003 | 1.0 |

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies depreciated. DXY rose by 0.5% supported by a strong US labour market report. EUR declined as Germany's industrial production and exports showed weakness. INR rose after RBI's policy decision. It is trading marginally weaker today, while Asian currencies are trading mixed.

Fig 2 – Currencies

| | 05-06-2025 | 06-06-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.1445 | 1.1397 | (0.4) |
| GBP/USD (1 GBP / USD) | 1.3570 | 1.3528 | (0.3) |
| USD/JPY (JPY / 1 USD) | 143.53 | 144.85 | (0.9) |
| USD/INR (INR / 1 USD) | 85.80 | 85.64 | 0.2 |
| USD/CNY (CNY / 1 USD) | 7.1777 | 7.1926 | (0.2) |
| DXY Index | 98.74 | 99.19 | 0.5 |

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield rose at the sharpest pace tracking some firmness in average hourly earnings. Apart from this, traders also awaited the US\$ 22bn auction for the 30Y tenor securities. Elsewhere, yields traded thinly. India's 10Y yield inched up as a change in stance by the RBI led to some repricing. The new benchmark security is trading at 6.24% today.

Fig 3 – Bond 10Y yield

| | 05-06-2025 | 06-06-2025 | Change, bps |
|---------|------------|------------|-------------|
| US | 4.39 | 4.51 | 12 |
| UK | 4.62 | 4.64 | 3 |
| Germany | 2.58 | 2.58 | (1) |
| Japan | 1.47 | 1.46 | (1) |
| China | 1.70 | 1.69 | (1) |
| India | 6.25 | 6.29 | 4 |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 05-06-2025 | 06-06-2025 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days | 5.55 | 5.36 | (19) |
| Tbill-182 days | 5.55 | 5.39 | (16) |
| Tbill-364 days | 5.52 | 5.40 | (12) |
| G-Sec 2Y | 5.68 | 5.61 | (7) |
| India OIS-2M | 5.63 | 5.38 | (25) |
| India OIS-9M | 5.54 | 5.46 | (8) |
| SONIA int rate benchmark | 4.21 | 4.21 | 0 |
| US SOFR | 4.28 | 4.29 | 1 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 05-06-2025 | 06-06-2025 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | 3.0 | 3.1 | 0.1 |
| Reverse Repo | 0 | 0 | 0 |
| Repo* | 0 | 0 | 0 |

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

Fig 6 – Capital market flows

| | 04-05-2025 | 05-06-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (29.9) | (55.0) | (25.2) |
| Debt | (216.6) | (60.8) | 155.8 |
| Equity | 186.8 | 5.8 | (181.0) |
| Mutual funds (Rs cr) | 7,749.5 | (6,072.2) | (13,821.7) |
| Debt | 3,471.2 | (7,595.2) | (11,066.4) |
| Equity | 4,278.3 | 1,523.1 | (2,755.3) |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 3 Jun and 4 Jun 2025

- Oil prices continued to climb driven by enthusiasm over US-China trade talks.

Fig 7 – Commodities

| | 05-06-2025 | 06-06-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 65.3 | 66.5 | 1.7 |
| Gold (US\$/ Troy Ounce) | 3352.7 | 3310.4 | (1.3) |
| Copper (US\$/ MT) | 9832.7 | 9762.8 | (0.7) |
| Zinc (US\$/MT) | 2650.5 | 2630.4 | (0.8) |
| Aluminium (US\$/MT) | 2478.0 | 2450.5 | (1.1) |

Source: Bloomberg, Bank of Baroda Research



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