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Amidst tariff uncertainty and citing concerns around global economic slowdown, Bank of England lowered rate by 25bps to 4.25% with a 5-4 majority. Notably, the committee has revised growth projection upwards from 0.75% to 1% for CY25 but trimmed for next year to 1.25% (From 1.5%). Governor Bailey noted that rate path was 'downwards' but mentioned that any future rate cut will be more 'gradual and careful'. On inflation, there is some cool-off expected with a forecast of 3.5% this year (previously 3.75%). The decision comes ahead of the much anticipated US-UK trade deal. In China, despite tariff headwinds, exports rose by 8.1% in Apr'25 partly due to transshipment through third party contracts, while imports dropped by 0.2%. Separately, in Japan, early exports (20-days in Apr) slowed down to 2.3% (4.2% in Mar'25) led by weaker growth in auto, steel and mineral fuels.

- Barring FTSE and Indian indices, other global indices closed higher. US stocks gained as US-UK trade deal lifted investors' sentiments. Focus will turn towards US-China deal amidst ongoing negotiations. Sensex closed in red with losses in real estate stocks. It is trading lower today amidst escalating geopolitical tensions. Asian stocks are trading mixed.

Fig 1 – Stock markets

	07-05-2025	08-05-2025	Change, %
Dow Jones	41,114	41,368	0.6
S & P 500	5,631	5,664	0.6
FTSE	8,559	8,532	(0.3)
Nikkei	36,780	36,929	0.4
Hang Seng	22,692	22,776	0.4
Shanghai Comp	3,343	3,352	0.3
Sensex	80,747	80,335	(0.5)
Nifty	24,414	24,274	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended weaker. DXY rose by 1% as US-UK finalised a trade deal. JPY depreciated the most, as hopes of further rate hikes receded. INR marked its largest single day fall since Feb'23 as geo-political tensions escalated. It is trading further weaker today.

Fig 2 – Currencies

	07-05-2025	08-05-2025	Change, %
EUR/USD (1 EUR / USD)	1.1301	1.1228	(0.6)
GBP/USD (1 GBP / USD)	1.3292	1.3246	(0.3)
USD/JPY (JPY / 1 USD)	143.83	145.91	(1.4)
USD/INR (INR / 1 USD)	84.83	85.72	(1.0)
USD/CNY (CNY / 1 USD)	7.2275	7.2428	(0.2)
DXY Index	99.61	100.64	1.0

Source: Bloomberg, Bank of Baroda Research



- Except China, other global yields ended higher as US-UK trade deal boosted sentiments. 10Y yields in US and UK edged up by 11bps and 9bps respectively. Trade negotiations between US and China, also supported yields. India's 10Y yield rose by 6bps led by heightened geo-political tensions. It is trading further higher today, while the new benchmark security is trading at 6.39%.

Fig 3 – Bond 10Y yield

	07-05-2025	08-05-2025	Change, bps
US	4.27	4.38	11
UK	4.46	4.55	9
Germany	2.48	2.54	6
Japan	1.31	1.34	3
China	1.64	1.63	(1)
India	6.34	6.40	6

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-05-2025	08-05-2025	Change, bps
Tbill-91 days	5.87	5.87	0
Tbill-182 days	5.88	5.87	(1)
Tbill-364 days	5.85	5.85	0
G-Sec 2Y	5.92	6.03	11
India OIS-2M	5.84	5.83	(1)
India OIS-9M	5.62	5.68	6
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.32	4.30	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-05-2025	08-05-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.4	1.3	(0.1)
Reverse Repo	0	0	0
Repo*	0.3	0.3	0

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

Fig 6 – Capital market flows

	06-05-2025	07-05-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	422.7	181.5	(241.2)
Debt	(51.8)	(167.5)	(115.7)
Equity	474.5	349.1	(125.4)
Mutual funds (Rs cr)	(2,069.3)	(8,906.3)	(6,837.0)
Debt	(5,113.7)	(7,235.1)	(2,121.5)
Equity	3,044.4	(1,671.1)	(4,715.5)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 5 May and 6 May 2025

- Oil prices rose by 2.8% as easing trade tensions boosted demand prospects.

Fig 7 – Commodities

	07-05-2025	08-05-2025	Change, %
Brent crude (US\$/bbl)	61.1	62.8	2.8
Gold (US\$/ Troy Ounce)	3364.5	3305.7	(1.7)
Copper (US\$/ MT)	9441.2	9477.3	0.4
Zinc (US\$/MT)	2579.6	2586.3	0.3
Aluminium (US\$/MT)	2382.5	2412.5	1.3

Source: Bloomberg, Bank of Baroda Research



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