

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Slew of macro data for China indicates pressure on growth remains amidst trade tensions. China's Q2CY25 GDP rose by 5.2% (est.: 5.1%), easing from 5.4% in Q1. More high frequency data shows while industrial production (6.8% in Jun'25 versus 5.8% in May'25) benefitted from temporary truce with the US, domestic consumption remains weak. Retail sales rose by 4.8% (est.: 5.4%), versus 6.4% rise in May'25. FAI growth, proxy for investments, slowed to 2.8% in H1CY25 (est.: 3.6%), from 3.7% between Jan and May'25. Separately, in Japan, industrial output fell by (-) 2.4% in May'25—a first in CY25, following 0.5% increase in Apr'25. Weak economic growth, along with possibility of ruling party losing majority in the Upper House, is keeping investors wary. Domestically, CPI eased to 78-month low of 2.1% in Jun'25, helped by food inflation. WPI entered deflation, as it fell by (-) 0.1% in Jun'25.

- Global markets closed mixed. US indices inched up with gains in communication services sector. Investors await key CPI print and earnings season which will kick in from today. Amongst other indices, FTSE was the biggest gainer. Sensex settled lower, with losses noted in IT stocks. However, it is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

| | 11-07-2025 | 14-07-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 44,372 | 44,460 | 0.2 |
| S & P 500 | 6,260 | 6,269 | 0.1 |
| FTSE | 8,941 | 8,998 | 0.6 |
| Nikkei | 39,570 | 39,460 | (0.3) |
| Hang Seng | 24,140 | 24,203 | 0.3 |
| Shanghai Comp | 3,510 | 3,520 | 0.3 |
| Sensex | 82,500 | 82,253 | (0.3) |
| Nifty | 25,150 | 25,082 | (0.3) |

Source: Bloomberg, Bank of Baroda Research

- Except CNY (flat), other global currencies closed lower. DXY rose by 0.2% amidst tariff uncertainty, given the threat of 30% tariff hike on Mexico and EU. INR weakened, despite fall in oil prices. However, it is trading higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 11-07-2025 | 14-07-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.1689 | 1.1664 | (0.2) |
| GBP/USD (1 GBP / USD) | 1.3493 | 1.3427 | (0.5) |
| USD/JPY (JPY / 1 USD) | 147.43 | 147.72 | (0.2) |
| USD/INR (INR / 1 USD) | 85.80 | 85.99 | (0.2) |
| USD/CNY (CNY / 1 USD) | 7.1701 | 7.1720 | 0 |
| DXY Index | 97.85 | 98.08 | 0.2 |

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yield bond yields closed mixed. Japan's 10Y yield rose sharply by 6bps (near high of Oct'08), as investors brace for upper house elections this weekend. Noise of higher fiscal spending also impacted yields. In the US, ongoing tariff war is keeping market participants on edge. India's 10Y yield rose by 2bps. However, it is trading lower at 6.31%, tracking muted CPI print.

Fig 3 – Bond 10Y yield

| | 11-07-2025 | 14-07-2025 | Change, bps |
|---------|------------|------------|-------------|
| US | 4.41 | 4.43 | 2 |
| UK | 4.62 | 4.60 | (2) |
| Germany | 2.73 | 2.73 | 0 |
| Japan | 1.52 | 1.58 | 6 |
| China | 1.67 | 1.67 | 0 |
| India | 6.30 | 6.32 | 2 |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 11-07-2025 | 14-07-2025 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days | 5.39 | 5.36 | (3) |
| Tbill-182 days | 5.52 | 5.42 | (10) |
| Tbill-364 days | 5.57 | 5.56 | (1) |
| G-Sec 2Y | 5.72 | 5.75 | 4 |
| India OIS-2M | 5.46 | 5.45 | (1) |
| India OIS-9M | 5.51 | 5.51 | 0 |
| SONIA int rate benchmark | 4.22 | 4.22 | 0 |
| US SOFR | 4.31 | 4.31 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 11-07-2025 | 14-07-2025 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | 3.3 | 2.6 | (0.7) |
| Reverse Repo | 0 | 1.5 | 1.5 |
| Repo* | 0 | 0 | 0 |

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

Fig 6 – Capital market flows

| | 10-07-2025 | 11-07-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | 36.2 | (488.2) | (524.4) |
| Debt | (61.9) | 35.4 | 97.3 |
| Equity | 98.1 | (523.6) | (621.7) |
| Mutual funds (Rs cr) | (2,263.5) | (639.5) | 1,624.0 |
| Debt | (2,974.3) | (1,129.1) | 1,845.2 |
| Equity | 710.8 | 489.6 | (221.2) |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 09 Jul and 10 Jul 2025

- Oil prices declined, as global growth fears re-emerge, amidst ongoing tariff war.

Fig 7 – Commodities

| | 11-07-2025 | 14-07-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 70.4 | 69.2 | (1.6) |
| Gold (US\$/ Troy Ounce) | 3,355.6 | 3,343.5 | (0.4) |
| Copper (US\$/ MT) | 9,638.9 | 9,556.9 | (0.9) |
| Zinc (US\$/MT) | 2,738.1 | 2,724.4 | (0.5) |
| Aluminium (US\$/MT) | 2,603.0 | 2,592.0 | (0.4) |

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