MORNING MOCHA

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ECONOMIST
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US ISM manufacturing PMI contracted at a slower pace of 48.7 in Aug'25 from 48 in Jul'25. The marginal improvement was on the back of rebound in new orders, though production registered a decline, in the wake of tariff turmoil. Separately in China, private services PMI expanded at faster pace (highest in 15-months) to 53 in Aug'25 (from 52.6 in Jul'25) supported by strong demand in domestic and foreign orders. In Europe, CPI inched up to 2.1% in Aug'25 from 2% in Jul'25. Service inflation softened to 3.1% from 3.2% in Jul'25. Core CPI remained steady at 2.3% and marginally above the expectation (2.2%). Since the inflation is nearing the ECB target mark, the Central Bank is expected to maintain status quo in Sep'25 meeting. Global bond yield faced extreme volatility with 30Y yield in Germany and France rising to near 15-year high, given the ongoing political turbulence in France. Concerns over Fed's independence also made investors jittery.

- Barring Nikkei, other global markets closed lower. US indices dropped amidst tariff concerns and rising bond yields. FTSE slipped by 0.9% amidst concerns around fiscal outlook. Sensex was down by 0.3% with losses in banking stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	01-09-2025	02-09-2025	Change, %
Dow Jones	45,545	45,296	(0.5)
S & P 500	6,460	6,416	(0.7)
FTSE	9,196	9,117	(0.9)
Nikkei	42,189	42,310	0.3
Hang Seng	25,617	25,497	(0.5)
Shanghai Comp	3,876	3,858	(0.4)
Sensex	80,364	80,158	(0.3)
Nifty	24,625	24,580	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 01 Sep 2025

- Except INR and CNY, other global currencies closed lower. DXY jumped by 0.6%, tracking rise in bond yields and ISM manufacturing index. Yen was under pressure following news of weaker macro data. INR ended broadly stable. However, it is trading higher today, while other currencies are trading mixed.

Fig 2 – Currencies

	01-09-2025	02-09-2025	Change, %
EUR/USD (1 EUR / USD)	1.1711	1.1640	(0.6)
GBP/USD (1 GBP / USD)	1.3545	1.3394	(1.1)
USD/JPY (JPY / 1 USD)	147.18	148.36	(0.8)
USD/INR (INR / 1 USD)	88.20	88.16	0
USD/CNY (CNY / 1 USD)	7.1377	7.1383	0
DXY Index	97.77	98.40	0.6

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 01 Sep 2025

- Global yields closed mixed. Yields in Europe remain sensitive to ongoing domestic political tensions and stress on fiscal balances. Investors in the US are also worried about impact of tariff related court judgements on fiscal deficit. India's 10Y yield fell by 2bps, ahead of the release of central government H2 borrowing program. It is trading further lower today at 6.56%.

Fig 3 – Bond 10Y yield

	01-09-2025	02-09-2025	Change, bps
US	4.23	4.26	3
UK	4.75	4.80	5
Germany	2.75	2.79	4
Japan	1.63	1.62	(1)
China	1.78	1.77	(1)
India	6.59	6.57	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 01 Sep 2025

Fig 4 – Short term rates

	01-09-2025	02-09-2025	Change, bps
Tbill-91 days	5.48	5.49	1
Tbill-182 days	5.57	5.57	0
Tbill-364 days	5.62	5.61	(1)
G-Sec 2Y	5.85	5.85	(1)
India OIS-2M	5.53	5.52	(1)
India OIS-9M	5.51	5.52	1
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.34	4.34	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 01 Sep 2025

Fig 5 – Liquidity

Rs tn	01-02-2025	02-09-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.9	3.0	0.1
Reverse Repo	1.4	1.9	0.5
Repo*	0	0	0

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

Fig 6 – Capital market flows

	29-08-2025	01-09-2025	change (US$ mn/Rs cr)
FII (US$ mn)	(811.4)	(157.5)	653.9
Debt	211.1	29.7	(181.5)
Equity	(1,022.5)	(187.2)	835.3
Mutual funds (Rs cr)	3,178.6	(534.7)	(3,713.3)
Debt	(3,235.2)	(1,083.0)	2,152.2
Equity	6,413.7	548.3	(5,865.4)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 29 Aug and 1 Sep 2025

- Oil prices rose, amidst news of renewed tensions between Russia and Ukraine.

Fig 7 – Commodities

	01-09-2025	02-09-2025	Change, %
Brent crude (US$/bbl)	68.2	69.1	1.5
Gold (US$/ Troy Ounce)	3,476.1	3,533.2	1.6
Copper (US$/ MT)	9,797.7	9,910.9	1.2
Zinc (US$/MT)	2,847.5	2,885.4	1.3
Aluminium (US$/MT)	2,611.0	2,619.0	0.3

Source: Bloomberg, Bank of Baroda Research

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