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US President unveiled new sets of tariffs for major trading partners. Tariff rate for India has been retained at 25%. Countries such as Bangladesh and Cambodia will face a lower tariff rate of 20% (37% earlier) and 19% (49% earlier) respectively. Tariff rate on Canada has been hiked to 35% from 25%, while the tariff deadline for Mexico was extended by 90-days. The 10% universal tariff is applicable on all countries with which US has a trade surplus, whereas a 15% tariff will be imposed on others. The new set of tariffs are set to take effect from 7 Aug 2025, even as a federal appeals court debated on the legality of the tariff orders. Separately, US PCE increased by 0.3% in Jun'25 from 0.2% in May'25 as higher tariffs lifted goods prices. Effect of tariffs was also visible in manufacturing activity in Asia, with a decline in manufacturing PMIs in Japan, Korea and China.

- Developments over tariff dampened equity market sentiments. Hang Seng fell the most, followed by Shanghai Comp. Nikkei got support as BoJ hinted that uncertainty to growth has eased. Sensex moderated amidst announcement of higher tariff on India by the US. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	30-07-2025	31-07-2025	Change, %
Dow Jones	44,461	44,131	(0.7)
S & P 500	6,363	6,339	(0.4)
FTSE	9,137	9,133	(0.0)
Nikkei	40,655	41,070	1.0
Hang Seng	25,177	24,773	(1.6)
Shanghai Comp	3,616	3,573	(1.2)
Sensex	81,482	81,186	(0.4)
Nifty	24,855	24,768	(0.3)

Source: Bloomberg, Bank of Baroda Research

- DXY rose further as increase in inflation dented expectations of future rate cuts. JPY depreciated the most despite positive macro data (retail sales and industrial production). INR depreciated to a record low on US tariff fallout. However, it is trading stronger today, while Asian currencies are trading mixed.

Fig 2 – Currencies

	30-07-2025	31-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1405	1.1415	0.1
GBP/USD (1 GBP / USD)	1.3237	1.3207	(0.2)
USD/JPY (JPY / 1 USD)	149.51	150.75	(0.8)
USD/INR (INR / 1 USD)	87.43	87.60	(0.2)
USD/CNY (CNY / 1 USD)	7.1972	7.2000	0
DXY Index	99.82	99.97	0.2

Source: Bloomberg, Bank of Baroda Research



- Global yields softened on the back of risk-off sentiments amidst tariff related turmoil. UK's 10Y yield softened the most ahead of BoE's policy decision due next week. US 10Y yield closed stable, monitoring slew of macro releases. India's 10Y yield was unchanged and is trading marginally higher at 6.38% today.

Fig 3 – Bond 10Y yield

	30-07-2025	31-07-2025	Change, bps
US	4.37	4.37	0
UK	4.60	4.57	(3)
Germany	2.71	2.70	(1)
Japan	1.56	1.56	0
China	1.73	1.71	(2)
India	6.37	6.37	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-07-2025	31-07-2025	Change, bps
Tbill-91 days	5.40	5.39	(1)
Tbill-182 days	5.52	5.50	(2)
Tbill-364 days	5.56	5.56	0
G-Sec 2Y	5.71	5.71	0
India OIS-2M	5.43	5.43	0
India OIS-9M	5.47	5.48	1
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.36	4.32	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-07-2025	31-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.5	2.9	0.4
Reverse Repo	1.7	1.7	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	29-07-2025	30-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(372.7)	127.1	499.8
Debt	52.5	145.7	93.2
Equity	(425.2)	(18.6)	406.6
Mutual funds (Rs cr)	1,945.7	1,950.0	4.4
Debt	(4,153.8)	(3,907.3)	246.5
Equity	6,099.5	5,857.3	(242.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 28 Jul and 29 Jul 2025

- Oil prices moderated as elevated tariff rates stoked concerns of muted demand.

Fig 7 – Commodities

	30-07-2025	31-07-2025	Change, %
Brent crude (US\$/bbl)	73.2	72.5	(1.0)
Gold (US\$/ Troy Ounce)	3,275.2	3,289.9	0.5
Copper (US\$/ MT)	9,651.7	9,560.2	(0.9)
Zinc (US\$/MT)	2,782.8	2,753.9	(1.0)
Aluminium (US\$/MT)	2,601.0	2,565.0	(1.4)

Source: Bloomberg, Bank of Baroda Research



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