

MORNING MOCHA

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ECONOMIST

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Global markets witnessed some repricing, monitoring trade, macro and political developments. On trade front, US President pushed for a minimum of 15-20% on EU. This has again built-up hopes of further monetary easing by ECB. On macro front, both 1 and 5-10Yr inflation expectations (University of Michigan) remain well anchored. The housing starts data also picked up (4.6% MoM increase seen in Jul'25 against -9.8% in Jun'25). In Germany, PPI fell by -1.3% in Jun'25, YoY compared to -1.2% in May'25. In China, benchmark lending rates were kept on hold albeit hinting at further policy space to support growth. On political front, Japan's ruling coalition suffered a setback in the upper house with likely impact on Yen. On domestic front, Ministry of External Affairs has said that India will not subscribe to sanctions imposed by EU on Russian oil supplies.

- Global indices ended mixed. Stocks in US were marginally lower even as macro data remained mixed (consumer sentiment and home sales). Hang Seng and Shanghai Comp rose, as China's GDP and exports rose more than expected. Sensex ended lower, amidst losses in consumer durables and capital goods stocks. It is also trading lower today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	17-07-2025	18-07-2025	Change, %
Dow Jones	44,484	44,342	(0.3)
S & P 500	6,297	6,297	0
FTSE	8,973	8,992	0.2
Nikkei	39,901	39,819	(0.2)
Hang Seng	24,499	24,826	1.3
Shanghai Comp	3,517	3,534	0.5
Sensex	82,259	81,758	(0.6)
Nifty	25,111	24,968	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by 0.3% tracking a dip in US treasury yields, as Fed's Waller spoke about a possible cut in Jul'25. EUR appreciated by 0.3%, while GBP ended flat. INR depreciated marginally amidst losses in domestic equities. It is trading weaker today, in line with its Asian peers.

Fig 2 – Currencies

	17-07-2025	18-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1596	1.1626	0.3
GBP/USD (1 GBP / USD)	1.3416	1.3416	0
USD/JPY (JPY / 1 USD)	148.58	148.81	(0.2)
USD/INR (INR / 1 USD)	86.08	86.16	(0.1)
USD/CNY (CNY / 1 USD)	7.1817	7.1746	0.1
DXY Index	98.73	98.48	(0.3)

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield softened as inflation expectations remained well anchored. Even Japan's 10Y yield moderated ahead of Upper House election results. Downside risks to yield remain as the ruling coalition suffered a setback. 10Y yield in UK and Germany inched up as uncertainty prevails regarding future course of monetary policy. India's 10Y yield closed stable and is trading at 6.3% today.

Fig 3 – Bond 10Y yield

	17-07-2025	18-07-2025	Change, bps
US	4.45	4.42	(4)
UK	4.66	4.67	2
Germany	2.68	2.70	2
Japan	1.57	1.54	(3)
China	1.66	1.67	0
India	6.30	6.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	17-07-2025	18-07-2025	Change, bps
Tbill-91 days	5.38	5.36	(2)
Tbill-182 days	5.50	5.47	(3)
Tbill-364 days	5.56	5.57	1
G-Sec 2Y	5.68	5.67	(2)
India OIS-2M	5.44	5.43	(1)
India OIS-9M	5.48	5.47	(1)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.34	4.34	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-07-2025	18-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.1	3.1	0
Reverse Repo	1.5	0	(1.5)
Repo*	0.6	0	(0.6)

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

Fig 6 – Capital market flows

	16-07-2025	17-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(157.7)	(316.1)	(158.4)
Debt	(36.4)	17.3	53.7
Equity	(121.3)	(333.4)	(212.1)
Mutual funds (Rs cr)	(2,145.0)	909.0	3,054.1
Debt	(3,860.3)	437.7	4,298.0
Equity	1,715.3	471.3	(1,244.0)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 16 Jul and 15 Jul 2025

- Oil prices softened albeit EU sanctions on Russian oil supplies.

Fig 7 – Commodities

	17-07-2025	18-07-2025	Change, %
Brent crude (US\$/bbl)	69.5	69.3	(0.3)
Gold (US\$/ Troy Ounce)	3,339.0	3,349.9	0.3
Copper (US\$/ MT)	9,607.8	9,724.7	1.2
Zinc (US\$/MT)	2,733.8	2,823.3	3.3
Aluminium (US\$/MT)	2,578.0	2,629.5	2.0

Source: Bloomberg, Bank of Baroda Research



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