

MORNING MOCHA

10 March 2025

ECONOMIST

Jahnavi Prabhakar

China's CPI slipped in to deflation for the first time since Jan'24 down to 0.7% in Feb'25 against an increase of 0.5% in Jan'25. This was largely attributable to declining prices of food, tobacco and alcohol products. Core inflation too dropped down to 0.1% in Feb'25 (first drop since Jan'21). Analysts expect further contraction this year given the escalating trade dispute between US and China which is likely to have an impact on domestic consumption. Recently, the government has also lowered his annual inflation target for 2025 from 3% to 2% (lowest in 2-decades). In the coming week, investors will closely track the upcoming CPI report from US that might offer some guidance on Fed's rate expectations, even as global markets continue to grapple the impact of fresh tariff implementations.

- Global markets ended mixed. Nikkei was down by more than 2% to a 6-month low given a sharp fall in technology stocks. On the other hand, US indices ended in green amidst commentary by Fed Chair Powell that the economy was 'in good shape', even as uncertainty pertains. Sensex closed flat. It is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	06-03-2025	07-03-2025	Change, %
Dow Jones	42,579	42,802	0.5
S & P 500	5,739	5,770	0.6
FTSE	8,683	8,680	0
Nikkei	37,705	36,887	(2.2)
Hang Seng	24,370	24,231	(0.6)
Shanghai Comp	3,381	3,373	(0.3)
Sensex	74,340	74,333	0
Nifty	22,545	22,553	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell by (-) 0.2%, while EUR gained (0.4%) the most. Signs of significant policy changes in Germany boosted equity markets and inflows. In the US, weaker than expected labour market readings impacted investor sentiments. INR also rose by 0.3%, tracking global cues. However, it is trading weaker today in line with other Asian currencies.

Fig 2 – Currencies

	06-03-2025	07-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0785	1.0833	0.4
GBP/USD (1 GBP / USD)	1.2882	1.2920	0.3
USD/JPY (JPY / 1 USD)	147.98	148.04	0
USD/INR (INR / 1 USD)	87.12	86.88	0.3
USD/CNY (CNY / 1 USD)	7.2418	7.2459	(0.1)
DXY Index	104.06	103.84	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: Figures in brackets indicate depreciation against the dollar



- Global yields closed mixed. US 10Y yield rose by 2bps as Fed Chair signalled that Fed may pause for some time and seek clarity on fiscal announcements before cutting rates. China's yield rose the most, as PBOC Governor hinted that rates cuts are not imminent and will be data dependent. India's 10Y yield rose a tad by 1bps, tracking higher oil prices, and is trading at similar levels today.

Fig 3 – Bond 10Y yield

	06-03-2025	07-03-2025	Change, bps
US	4.28	4.30	2
UK	4.66	4.64	(2)
Germany	2.83	2.84	0
Japan	1.54	1.52	(2)
China	1.79	1.85	6
India	6.68	6.69	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-03-2025	07-03-2025	Change, bps
Tbill-91 days	6.46	6.47	1
Tbill-182 days	6.57	6.59	2
Tbill-364 days	6.53	6.53	0
G-Sec 2Y	6.53	6.54	1
India OIS-2M	6.39	6.38	(1)
India OIS-9M	6.21	6.20	(1)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.34	4.35	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-03-2025	07-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.6)	(0.8)	(0.2)
Reverse Repo	0	0	0
Repo*	2.2	1.8	(0.4)

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

Fig 6 – Capital market flows

	05-03-2025	06-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(62.6)	(330.7)	(268.1)
Debt	154.4	(27.7)	(182.1)
Equity	(217.0)	(303.0)	(86.0)
Mutual funds (Rs cr)	2,286.9	(3,398.5)	(5,685.5)
Debt	(3,395.6)	(5,444.4)	(2,048.7)
Equity	5,682.6	2,045.8	(3,636.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 24 Feb and 25 Feb 2025

- Oil prices rose on hopes of possible reversal in production decision by OPEC+.

Fig 7 – Commodities

	08-03-2025	09-03-2025	Change, %
Brent crude (US\$/bbl)	69.5	70.4	1.3
Gold (US\$/ Troy Ounce)	2911.8	2909.1	(0.1)
Copper (US\$/ MT)	9747.8	9608.6	(1.4)
Zinc (US\$/MT)	2896.9	2852.0	(1.6)
Aluminium (US\$/MT)	2697.0	2705.5	0.3

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com