

MORNING MOCHA

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Simmering tensions in the Middle-East dented investor sentiments, as Israel and Iran appear on the brink of a war. As a result, demand for safe-haven assets is likely to increase suggesting an upside in DXY, gold prices and sovereign bonds, while EM assets are likely to see a capital flight. Oil prices have jumped up sharply today, and a prolonged war can have a similar effect on other commodity prices, due to supply chain disruptions, threatening to derail the progress made in bringing global inflation lower. Separately, US PPI rose by 0.1% in May'25 (est. +0.2%), after declining 0.2% in Apr'25, suggesting that underlying price pressures remain largely contained. US jobless claims remained elevated at 248,000, unchanged from the previous week. In UK, GDP declined by 0.3% in Apr'25 following a 0.2% increase in Mar'25, due to tariff uncertainty and tax hikes.

- Global stocks ended mixed. A slew of factors are at play ranging from escalation of geopolitical risk, weakness in high frequency data in US and UK, countering the positive development on US-China trade front. Hang Seng fell the most, while US stocks inched up. Sensex's decline was broad-based across sectors. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	11-06-2025	12-06-2025	Change, %
Dow Jones	42,866	42,968	0.2
S & P 500	6,022	6,045	0.4
FTSE	8,864	8,885	0.2
Nikkei	38,421	38,173	(0.6)
Hang Seng	24,367	24,035	(1.4)
Shanghai Comp	3,402	3,403	0
Sensex	82,515	81,692	(1.0)
Nifty	25,141	24,888	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies gained. DXY slipped by 0.7% as odds of Fed rate cuts have increased after soft inflation readings. EUR strengthened to its highest since Nov'21. JPY rose on safe-haven demand. INR declined marginally. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	11-06-2025	12-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1487	1.1584	0.8
GBP/USD (1 GBP / USD)	1.3547	1.3613	0.5
USD/JPY (JPY / 1 USD)	144.56	143.48	0.8
USD/INR (INR / 1 USD)	85.52	85.60	(0.1)
USD/CNY (CNY / 1 USD)	7.1903	7.1727	0.2
DXY Index	98.63	97.92	(0.7)

Source: Bloomberg, Bank of Baroda Research



- UK's 10Y yield softened the most, supported by muted GDP data. In US as well, 10Y yield inched down on soft macro data (PPI and jobless claims). Germany's, 10Y yield moderated despite an ECB official hinting that most of the rate cuts have been frontloaded. India's 10Y yield fell, and is trading at 6.32% today.

Fig 3 – Bond 10Y yield

	11-06-2025	12-06-2025	Change, bps
US	4.42	4.36	(6)
UK	4.55	4.48	(7)
Germany	2.54	2.48	(6)
Japan	1.47	1.45	(2)
China	1.69	1.70	2
India	6.37	6.34	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-06-2025	12-06-2025	Change, bps
Tbill-91 days	5.36	5.35	(1)
Tbill-182 days	5.42	5.42	0
Tbill-364 days	5.49	5.49	0
G-Sec 2Y	5.78	5.79	1
India OIS-2M	5.47	5.45	(2)
India OIS-9M	5.56	5.54	(2)
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.28	4.28	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	11-06-2025	12-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	2.8	0.2
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	10-05-2025	11-06-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	302.4	(487.8)	(790.1)
Debt	(57.2)	(472.4)	(415.2)
Equity	359.6	(15.4)	(375.0)
Mutual funds (Rs cr)	4,739.0	1,141.4	(3,597.5)
Debt	2,149.4	540.5	(1,608.9)
Equity	2,589.5	600.9	(1,988.6)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 9 Jun and 10 Jun 2025

- Crude softened as weak global macro indicators outweighed geopolitical risk. However, oil prices are trading sharply higher today.

Fig 7 – Commodities

	11-06-2025	12-06-2025	Change, %
Brent crude (US\$/bbl)	69.8	69.4	(0.6)
Gold (US\$/ Troy Ounce)	3355.1	3385.9	0.9
Copper (US\$/ MT)	9703.5	9787.5	0.9
Zinc (US\$/MT)	2621.4	2612.1	(0.4)
Aluminium (US\$/MT)	2515.5	2517.5	0.1

Source: Bloomberg, Bank of Baroda Research



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