MORNING MOCHA

13 October 2025

ECONOMIST
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Asset classes at the end of last week reacted to revival in trade war between US and China. US announced 100% tariffs on imports from China w.e.f 1 Nov 2025, after China tightened rules regarding exports of its rare earth elements. As a result, stock markets, sovereign yields and oil prices took a hit. However, more recently, President Donald Trump has hinted that there might be scope for negotiations between the 2 countries, which might support market revival this week. Separately, University of Michigan consumer survey noted a slight dip in sentiment in Oct'25 (55) versus last month (55.1), as consumers were less optimistic about the future (51.2 versus 51.7). However, 1Y ahead inflation expectations came down to 4.6% (4.7% in Sep'25). Domestically, investors await release of CPI data later today, which is expected to come in at 1.2%.

- Barring domestic indices, other global indices ended lower. In the US, indices inched down with deep losses as US President warned of new 100% tariffs on China. With this, the trade tensions between US and China have resurfaced. On the other hand, Sensex rose by 0.4% with gains in real estate and banking stocks. It is trading lower today, in line with other Asian markets.

Table 1 – Stock markets

	9-10-2025	10-10-2025	Change, %
Dow Jones	46,358	45,480	(1.9)
S & P 500	6,735	6,553	(2.7)
FTSE	9,509	9,427	(0.9)
Nikkei	48,580	48,089	(1.0)
Hang Seng	26,753	26,290	(1.7)
Shanghai Comp	3,934	3,897	(0.9)
Sensex	82,172	82,501	0.4
Nifty	25,182	25,285	0.4

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies strengthened against the dollar. DXY fell by 0.6% tracking comments by US President on tariffs. Yen firmed up as political developments are providing some stability. INR rose amidst lower oil prices. It is trading lower today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	9-10-2025	10-10-2025	Change, %
EUR/USD (1 EUR / USD)	1.1564	1.1619	0.5
GBP/USD (1 GBP / USD)	1.3304	1.3360	0.4
USD/JPY (JPY / 1 USD)	153.07	151.19	1.2
USD/INR (INR / 1 USD)	88.79	88.70	0.1
USD/CNY (CNY / 1 USD)	7.1300	7.1353	(0.1)
DXY Index	99.54	98.98	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields fell, reacting to re-escalation of trade war between US and China. US 10Y yield fell by 11bps. Investors also tracked lower than anticipated 1yr ahead inflation expectations of consumers (University of Michigan survey). India's 10Y yield rose a tad, even as oil prices fell. However, following global cues, it is trading lower at 6.52% today.

Table 3 – Bond 10Y yield

	9-10-2025	10-10-2025	Change, bps
US	4.14	4.03	(11)
UK	4.75	4.68	(7)
Germany	2.70	2.64	(6)
Japan	1.70	1.69	(1)
China	1.85	1.86	1
India	6.52	6.54	1

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	9-10-2025	10-10-2025	Change, bps
Tbill-91 days	5.42	5.43	1
Tbill-182 days	5.52	5.51	(1)
Tbill-364 days	5.53	5.54	1
G-Sec 2Y	5.67	5.62	(5)
India OIS-2M	5.51	5.50	(1)
India OIS-9M	5.41	5.43	2
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.12	4.13	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	9-10-2025	10-10-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.6	1.4	(0.2)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	8-10-2025	9-10-2025	change (US$ mn/Rs cr)
FII (US$ mn)	263.0	396.2	133.3
Debt	179.9	125.2	(54.7)
Equity	83.1	271.0	188.0
Mutual funds (Rs cr)	(1,898.1)	(3,122.4)	(1,224.3)
Debt	(931.4)	(2,392.4)	(1,461.0)
Equity	(966.7)	(730.0)	236.7

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 7 Oct and 8 Oct 2025

- Oil prices fell sharply, as peace deal between Israel-Hamas comes into effect.

Table 7 – Commodities

	9-10-2025	10-10-2025	Change, %
Brent crude (US$/bbl)	65.2	62.7	(3.8)
Gold (US$/ Troy Ounce)	3,976.9	4,017.8	1.0
Copper (US$/ MT)	10,842.6	10,486.8	(3.3)
Zinc (US$/MT)	3,077.3	3,102.0	0.8
Aluminium (US$/MT)	2,798.5	2,748.0	(1.8)

Source: Bloomberg, Bank of Baroda Research

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