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Continuous escalation in tensions between Iran and Israel has dented investor sentiments across asset classes. Oil prices registered sharp increase, equity markets fell and US\$ strengthened. All eyes will now be on hopes of cease fire deal between the two. Separately in the US, University of Michigan's consumer sentiment index inched up in Jun'25—a first in 6 months—to 60.5 (est.: 54) from 52.2 in May'25. Along with this, analysts also remain watchful of upcoming Fed meeting this week, wherein rates are expected to be kept on hold. Elsewhere, China's macro data shows mixed signs of growth. Retail sales rose by 6.4% in May'25 (est.: 5%) following 5% increase in Apr'25, while industrial production (5.8% versus 6.1%) and FAI growth on CYTD basis (3.7% versus 4%) slowed. A tariff deal struck between China and US in mid-May helped limit the damage on the industrial sector's growth.

- Global stocks ended lower. Investors monitored growing developments surrounding the Middle East conflict, overall adding to the growing geopolitical uncertainty. Amongst other indices, Dow Jones dropped the most, followed by losses in Nikkei. Sensex's too settled lower with banking and metal amongst the major laggards. However, it is trading higher today, in line with Asian stocks.

Fig 1 – Stock markets

	12-06-2025	13-06-2025	Change, %
Dow Jones	42,968	42,198	(1.8)
S & P 500	6,045	5,977	(1.1)
FTSE	8,885	8,851	(0.4)
Nikkei	38,173	37,834	(0.9)
Hang Seng	24,035	23,893	(0.6)
Shanghai Comp	3,403	3,377	(0.8)
Sensex	81,692	81,119	(0.7)
Nifty	24,888	24,719	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower. DXY strengthened as the demand for safe heaven assets rose amidst Middle East conflict. It was further supported by an improvement in consumer sentiment reading. INR fell amidst rise in oil prices. It is trading further weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	12-06-2025	13-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1584	1.1549	(0.3)
GBP/USD (1 GBP / USD)	1.3613	1.3571	(0.3)
USD/JPY (JPY / 1 USD)	143.48	144.07	(0.4)
USD/INR (INR / 1 USD)	85.60	86.09	(0.6)
USD/CNY (CNY / 1 USD)	7.1727	7.1832	(0.1)
DXY Index	97.92	98.18	0.3

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China, 10Y yields elsewhere inched up. US 10Y yield was up by 4bps, tracking improvement in consumer sentiment index and rising geo-political tensions between Iran and Israel. UK's yields remain elevated, driven by concerns of fiscal health of the government. India's 10Y yield rose by 1bps, as oil prices increase. It is trading a tad lower at 6.35% today.

Fig 3 – Bond 10Y yield

	12-06-2025	13-06-2025	Change, bps
US	4.36	4.40	4
UK	4.48	4.55	7
Germany	2.48	2.54	6
Japan	1.45	1.41	(4)
China	1.70	1.70	0
India	6.34	6.36	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-06-2025	13-06-2025	Change, bps
Tbill-91 days	5.35	5.34	(1)
Tbill-182 days	5.42	5.42	0
Tbill-364 days	5.49	5.48	(1)
G-Sec 2Y	5.79	5.77	(2)
India OIS-2M	5.45	5.43	(2)
India OIS-9M	5.54	5.54	0
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	12-06-2025	13-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.8	3.6	0.8
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	11-05-2025	12-06-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(487.8)	(384.2)	103.6
Debt	(472.4)	(1.2)	471.2
Equity	(15.4)	(383.0)	(367.6)
Mutual funds (Rs cr)	(2,151.6)	(3,223.9)	(1,072.3)
Debt	(2,135.4)	(3,516.6)	(1,381.3)
Equity	(16.2)	292.8	308.9

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 10 Jun and 11 Jun 2025

- Crude prices surged as Iran-Israel tensions have escalated sharply.

Fig 7 – Commodities

	12-06-2025	13-06-2025	Change, %
Brent crude (US\$/bbl)	69.4	74.2	7.0
Gold (US\$/ Troy Ounce)	3385.9	3432.3	1.4
Copper (US\$/ MT)	9787.5	9718.4	(0.7)
Zinc (US\$/MT)	2612.1	2600.1	(0.5)
Aluminium (US\$/MT)	2517.5	2503.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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