

MORNING MOCHA

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In the upcoming days major central banks will be announcing their rate decisions. Currently all eyes are on expected 25bps policy rate cut by US Fed tomorrow. In contrast, BoE and BoJ are expected to maintain status quo. Investors in the UK more keenly await the annual decision on quantitative tightening that the central bank will announce. For the past 3 years, size of asset purchase has been reduced by £100bn (through letting bonds mature/actively selling of bonds). This is year, this amount is expected to be less, to reduce pressure on longer-end (30Y) yields. Other focus will be on US-UK \$10bn trade deal which will focus on civil nuclear power, defence and technology sectors. Domestically, India's trade deficit narrowed to US\$ 26.5bn in Aug'25 from US\$ 27.4bn in Jul'25, led by decline in imports.

- Global stocks ended mixed. US indices closed higher as investors await Fed rate decision wherein 25bps cut is anticipated. Communication services and technology stocks advanced the most. In Asia, US-China trade negotiations lifted the market. Sensex edged down with losses in IT related and consumer durable stocks. However, it is trading higher today, in line with Asian stocks.

Fig 1 – Stock markets

	12-09-2025	15-09-2025	Change, %
Dow Jones	45,834	45,883	0.1
S & P 500	6,584	6,615	0.5
FTSE	9,283	9,277	(0.1)
Nikkei	44,373	44,768	0.9
Hang Seng	26,388	26,447	0.2
Shanghai Comp	3,871	3,861	(0.3)
Sensex	81,905	81,786	(0.1)
Nifty	25,114	25,069	(0.2)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Japan were closed on 15 Sep 2025

- Global currencies ended stronger. DXY declined as the market awaits Fed decision and guidance on growth and labour market. GBP rose by 0.3% ahead of the CPI and BoE decision, which will be status quo. The interest rate differential is expected to favour the currency. INR appreciated by 0.1% and is trading further stronger today, in line with Asian peers.

Fig 2 – Currencies

	12-09-2025	15-09-2025	Change, %
EUR/USD (1 EUR / USD)	1.1734	1.1761	0.2
GBP/USD (1 GBP / USD)	1.3556	1.3599	0.3
USD/JPY (JPY / 1 USD)	147.68	147.40	0.2
USD/INR (INR / 1 USD)	88.28	88.22	0.1
USD/CNY (CNY / 1 USD)	7.1250	7.1185	0.1
DXY Index	97.55	97.30	(0.3)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Japan were closed on 15 Sep 2025



- Major global 10Y yields closed mixed. US 10Y yield fell by 3bps, as investors await Fed's rate cut guidance. UK 10Y yield fell the most, supported by recovery in demand and awaiting BoE's decision on QT. India's 10Y yield rose by 1bps, tracking rise in oil prices. Following global cues, it is trading lower at 6.49% today.

Fig 3 – Bond 10Y yield

	12-09-2025	15-09-2025	Change, bps
US	4.06	4.04	(3)
UK	4.67	4.63	(4)
Germany	2.72	2.69	(2)
Japan	1.58	1.59	1
China	1.80	1.80	0
India	6.49	6.50	1

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Japan were closed on 15 Sep 2025

Fig 4 – Short term rates

	12-09-2025	15-09-2025	Change, bps
Tbill-91 days	5.50	5.50	0
Tbill-182 days	5.64	5.60	(4)
Tbill-364 days	5.65	5.64	(1)
G-Sec 2Y	5.82	5.80	(2)
India OIS-2M	5.45	5.45	0
India OIS-9M	5.44	5.45	0
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.41	4.42	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-09-2025	15-09-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	1.9	(0.7)
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	11-09-2025	12-09-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(344.3)	387.9	732.2
Debt	42.5	272.1	229.6
Equity	(386.8)	115.8	502.6
Mutual funds (Rs cr)	2,043.0	(646.0)	(2,689.0)
Debt	(64.8)	(4,313.5)	(4,248.7)
Equity	2,107.8	3,667.5	1,559.7

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

- Oil prices rose further, led by heightened tensions between Russia and Ukraine.

Fig 7 – Commodities

	12-09-2025	15-09-2025	Change, %
Brent crude (US\$/bbl)	67.0	67.4	0.7
Gold (US\$/ Troy Ounce)	3,643.1	3,679.0	1.0
Copper (US\$/ MT)	9,994.1	10,124.6	1.3
Zinc (US\$/MT)	2,987.2	3,005.8	0.6
Aluminium (US\$/MT)	2,689.5	2,700.5	0.4

Source: Bloomberg, Bank of Baroda Research



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