

MORNING MOCHA

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ECONOMIST
Sonal Badhan

In line with market expectations, US Fed decided to keep its rates on hold. The closely watched dot plot continues to signal 2 rate cuts in CY25. Analysts believe the cycle to resume from Sep'25. FOMC also lowered its growth projection to 1.4% for CY25 (1.7% estimated in Mar'25) and increased its inflation estimate to 3.1% (2.8% in Mar'25). For CY26 as well, stagflation risks continue with GDP growth forecast lowered by 20bps and inflation increased by the same magnitude. Also impacting investor sentiments was the labour market data. Initial jobless claims for the week ending 14 Jun'25 fell by 5k to 245k. Continuing claims (4-week avg) noted an increase of 13k to 1.93mn (highest since Nov'21). Separately, ahead of BoE's rate decision, UK's inflation eased a tad to 3.4% in May'25 from 3.5% in Apr'24. Analysts continue to expect no rate cut this week.

- Global stocks closed mixed. Dow Jones slipped by 0.1% as investor monitored hawkish tone by US Fed and the ongoing geopolitical turmoil in the Middle East. Hang Seng dropped for the second session in a row amidst the ongoing uncertainty on US-China trade deal with losses in EV and tech stocks. Sensex settled lower and opened weaker today, other Asian stocks are trading mixed.

Fig 1 – Stock markets

	17-06-2025	18-06-2025	Change, %
Dow Jones	42,216	42,172	(0.1)
S & P 500	5,983	5,981	0
FTSE	8,834	8,843	0.1
Nikkei	38,537	38,885	0.9
Hang Seng	23,980	23,711	(1.1)
Shanghai Comp	3,387	3,389	0
Sensex	81,583	81,445	(0.2)
Nifty	24,853	24,812	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose as the Fed chair signalled inflation could possibly rise due to tariff uncertainty. Heightened tensions due to Middle East conflict also raised demand for safe heaven assets. INR weakened further. It is trading even lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	17-06-2025	18-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1480	1.1480	0
GBP/USD (1 GBP / USD)	1.3429	1.3422	(0.1)
USD/JPY (JPY / 1 USD)	145.29	145.13	0.1
USD/INR (INR / 1 USD)	86.24	86.47	(0.3)
USD/CNY (CNY / 1 USD)	7.1868	7.1895	0
DXY Index	98.82	98.91	0.1

Source: Bloomberg, Bank of Baroda Research



- Except US and India, other global 10Y yields fell. While Fed's decision was in line with market expectations, yields reacted to downward revision of US growth forecasts and upward revision of inflation projections. India's 10Y yield remained unchanged, and await RBI's minutes to be released tomorrow. It is trading only marginally higher today, at 6.27%.

Fig 3 – Bond 10Y yield

	17-06-2025	18-06-2025	Change, bps
US	4.39	4.39	0
UK	4.55	4.50	(5)
Germany	2.54	2.50	(4)
Japan	1.47	1.46	(1)
China	1.69	1.64	(5)
India	6.27	6.26	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	17-06-2025	18-06-2025	Change, bps
Tbill-91 days	5.36	5.35	(1)
Tbill-182 days	5.45	5.44	(1)
Tbill-364 days	5.50	5.50	0
G-Sec 2Y	5.75	5.73	(2)
India OIS-2M	5.39	5.39	0
India OIS-9M	5.47	5.47	0
SONIA int rate benchmark	4.21	4.22	0
US SOFR	4.32	4.31	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-06-2025	18-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.9	2.9	0
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	16-06-2025	17-06-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(362.2)	203.1	565.3
Debt	(54.4)	(120.7)	(66.3)
Equity	(307.8)	323.9	631.6
Mutual funds (Rs cr)	1,804.4	3,621.3	1,816.9
Debt	26.4	(2,050.7)	(2,077.1)
Equity	1,778.0	5,672.0	3,894.0

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 13 Jun and 16 Jun 2025

- Oil prices remain near 4-month high, as tensions between Iran-Israel continue.

Fig 7 – Commodities

	17-06-2025	18-06-2025	Change, %
Brent crude (US\$/bbl)	76.5	76.7	0.3
Gold (US\$/ Troy Ounce)	3388.1	3369.4	(0.6)
Copper (US\$/ MT)	9791.8	9761.5	(0.3)
Zinc (US\$/MT)	2610.5	2606.5	(0.2)
Aluminium (US\$/MT)	2550.5	2547.0	(0.1)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com