

MORNING MOCHA

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ECONOMIST
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As anticipated, Bank of England kept its policy rate unchanged at 4.25%. It raised concerns regarding the impact of ongoing conflict in the Middle East on oil prices and domestic inflation. However, the central bank also noted that easing wage pressure may help cool CPI down. It was further noted that the labour market and economic growth is slowing, which in turn may allow the central bank to lower monetary policy restrictions in the upcoming meetings. Analyst expect 1 rate cut in Aug'25 and another in Q4. In Asia, Japan's retail inflation was up by 3.5% in May'25, slightly down from 3.6% in Apr'25. However, core CPI (excl food and fuel) rose by 3.3% from 3% in Apr'25. This is worrisome, as BoJ had expected moderation in inflation, given sluggish economic activity. China's PBOC announced no change in lending rates (1Y and 5Y LPR), as trade tensions between China and US ease.

- Global stocks closed lower as investors monitored comments from White House with US weighing in on the decision to get involved in the Iran-Israel conflict in the coming 2-weeks. FTSE slipped by 0.6% with losses in personal goods and metal stocks. Amidst selling pressure, Sensex dropped with losses in midcap and small cap indices. It is trading lower; Asian stocks are trading mixed.

Fig 1 – Stock markets

	18-06-2025	19-06-2025	Change, %
Dow Jones	42,216	42,172	(0.1)
S & P 500	5,983	5,981	0
FTSE	8,843	8,792	(0.6)
Nikkei	38,885	38,488	(1.0)
Hang Seng	23,711	23,238	(2.0)
Shanghai Comp	3,389	3,362	(0.8)
Sensex	81,445	81,362	(0.1)
Nifty	24,812	24,793	(0.1)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in US were closed on 19 Jun 2025

- Global currencies closed mixed. DXY ended steady, awaiting Fed monetary policy report. GBP rose after the BoE kept rates unchanged. INR fell as oil prices continued to surge due to the ongoing Middle East conflict. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	18-06-2025	19-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1480	1.1495	0.1
GBP/USD (1 GBP / USD)	1.3422	1.3465	0.3
USD/JPY (JPY / 1 USD)	145.13	145.45	(0.2)
USD/INR (INR / 1 USD)	86.47	86.73	(0.3)
USD/CNY (CNY / 1 USD)	7.1895	7.1878	0
DXY Index	98.91	98.91	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in US were closed on 19 Jun 2025



- Global 10Y yields closed mixed. Japan's 10Y yield fell the most, while it inched up in India, UK and Germany. BoE held rates steady, but pointed out that conflict in the Middle East could add to inflationary pressures. India's 10Y yield rose by 5bps, as oil remains a concern. However, tracking global cues, it is trading marginally lower today, at 6.30%.

Fig 3 – Bond 10Y yield

	18-06-2025	19-06-2025	Change, bps
US	4.39	4.39	0
UK	4.50	4.53	4
Germany	2.50	2.52	2
Japan	1.46	1.42	(4)
China	1.64	1.64	0
India	6.26	6.31	5

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 19 Jun 2025

Fig 4 – Short term rates

	18-06-2025	19-06-2025	Change, bps
Tbill-91 days	5.35	5.33	(2)
Tbill-182 days	5.44	5.44	0
Tbill-364 days	5.50	5.47	(3)
G-Sec 2Y	5.73	5.75	3
India OIS-2M	5.39	5.38	(1)
India OIS-9M	5.47	5.50	3
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.32	4.31	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 19 Jun 2025

Fig 5 – Liquidity

Rs tn	18-06-2025	19-06-2025	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)	203.1	(196.1)	(399.2)
Debt	(120.7)	(126.9)	(6.1)
Equity	323.9	(69.2)	(393.1)
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 rose higher, as Iran escalates attacks on Israel.

Fig 7 – Commodities

	18-06-2025	19-06-2025	Change, %
Brent crude (US\$/bbl)	76.7	78.9	2.8
Gold (US\$/ Troy Ounce)	3369.4	3370.9	0
Copper (US\$/ MT)	9761.5	9748.4	(0.1)
Zinc (US\$/MT)	2606.5	2613.6	0.3
Aluminium (US\$/MT)	2547.0	2521.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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