

MORNING MOCHA

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ECONOMIST
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US Fed Chair Jerome Powell cautioned markets by stating that tariffs are “likely to generate at least a temporary rise in inflation”. In addition he also acknowledged that the pace of growth slowed in Q1CY25. As a result, Fed is likely to await for more clarity before taking any call on rate decisions. Re-affirming this view, latest data shows that housing starts eased to 1.32mn units in Mar’25 (est.: 1.42mn) from 1.49mn units in Feb’25. For the week ending 5 Apr’25, continuing jobless claims rose to 1.89mn (est.: 1.87mn) from 1.84mn last week. Separately, in Europe, amidst rising tariff uncertainty and risks to growth, ECB lowered its key policy rate by 25bps. The statement hinted that even steeper cuts in future, to support growth. In Japan, inflation in Mar’25 (3.6%) continues to remain higher than BoJ’s target, but the central bank is expected to keep rates on hold for now in its meeting next week.

- Global indices ended mixed. Investors will turn their focus towards upcoming corporate results scheduled this week. Amidst the tariff uncertainty, analysts expect the US profit growth to be lower this year. Nikkei rebounded as investors monitored trade negotiations. Sensex is trading higher today, while other Asian stocks are trading mixed as PBOC keeps lending rates unchanged.

Fig 1 – Stock markets

	17-04-2025	18-04-2025	Change, %
Dow Jones	39,669	39,142	(1.3)
S & P 500	5,276	5,283	0.1
FTSE	8,276	8,276	0
Nikkei	34,378	34,730	1.0
Hang Seng	21,057	21,395	1.6
Shanghai Comp	3,280	3,277	(0.1)
Sensex	77,044	78,553	2.0
Nifty	23,437	23,852	1.8

Source: Bloomberg, Bank of Baroda Research| Note: All markets, except Japan and China, were closed on 18 Apr 2025

- Global currencies ended mixed. EUR slid after the ECB lowered benchmark rates by 25bps. Trade talks between US and Japan provided reprieve to greenback. INR strengthened amidst easing inflation and return of the FIIs. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	17-04-2025	18-04-2025	Change, %
EUR/USD (1 EUR / USD)	1.1399	1.1365	(0.3)
GBP/USD (1 GBP / USD)	1.3244	1.3266	0.2
USD/JPY (JPY / 1 USD)	142.43	142.18	0.2
USD/INR (INR / 1 USD)	85.69	85.38	0.4
USD/CNY (CNY / 1 USD)	7.2992	7.2997	0
DX Index	99.38	99.38	0

Source: Bloomberg, Bank of Baroda Research| Brackets indicate depreciation against US\$; markets (except China and Japan) were closed on 18 Apr



- In a holiday shortened week, US 10Y ended 5bps higher, as Fed Chair Powell cautioned that there were upside risks to inflation, even as economy is showing signs of weakening (initial jobless claims). Yields in Europe reacted to ECB rate cut. India's 10Y yield softened by 2bps, supported by auction day demand. It is trading further lower today at 6.36%.

Fig 3 – Bond 10Y yield

	17-04-2025	18-04-2025	Change, bps
US	4.28	4.32	5
UK	4.60	4.57	(4)
Germany	2.51	2.47	(4)
Japan	1.32	1.29	(2)
China	1.65	1.65	0
India	6.39	6.37	(2)

Source: Bloomberg, Bank of Baroda Research| Note: All markets, except Japan and China, were closed on 18 Apr 2025

Fig 4 – Short term rates

	16-04-2025	17-04-2025	Change, bps
Tbill-91 days	5.92	5.89	(3)
Tbill-182 days	6.00	5.96	(4)
Tbill-364 days	6.00	5.94	(6)
G-Sec 2Y	6.07	6.05	(2)
India OIS-2M	5.92	5.92	0
India OIS-9M	5.74	5.74	0
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.36	4.31	(5)

Source: Bloomberg, Bank of Baroda Research| Note: All markets were closed on 18 Apr 2025

Fig 5 – Liquidity

Rs tn	16-04-2025	17-04-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.7	2.1	0.4
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	15-04-2025	16-04-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	939.3	339.2	(600.1)
Debt	146.0	(130.8)	(276.8)
Equity	793.4	470.1	(323.3)
Mutual funds (Rs cr)	(6,608.6)	623.9	7,232.5
Debt	(4,138.8)	637.8	4,776.6
Equity	(2,469.8)	(14.0)	2,455.8

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose, tracking fresh US sanctions on Iran, and OPEC's supply cuts.

Fig 7 – Commodities

	16-04-2025	17-04-2025	Change, %
Brent crude (US\$/bbl)	65.9	68.0	3.2
Gold (US\$/ Troy Ounce)	3343.1	3326.9	(0.5)
Copper (US\$/ MT)	9171.3	9161.0	(0.1)
Zinc (US\$/MT)	2550.4	2541.5	(0.4)
Aluminium (US\$/MT)	2382.0	2365.5	(0.7)

Source: Bloomberg, Bank of Baroda Research| Note: All markets were closed on 18 Apr 2025



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