

MORNING MOCHA

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ECONOMIST

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US PCE price index, Fed's preferred gauge for inflation, rose by 0.1% in May'25 taking the annual inflation reading to 2.3%. Core PCE inched up by 0.2% (from 0.1%) and 2.7% (from 2.6%). Michigan consumer sentiment was revised higher at 60.7 in Jun signalling improvement. In India, current account surplus of US\$ 13.5bn (1.3% of GDP) was recorded in Q4FY25 compared with US\$ 4.6bn (0.5% of GDP) in Q4FY24 supported by higher service exports. For FY25, a current account deficit of US\$ 23.3bn was registered (0.6% of GDP) against US\$ 26bn (0.7% of GDP) in FY24. Both FDI (US\$ 1bn from US\$ 10.2bn) and FPI inflows (US\$ 3.6bn from US\$ 44.1bn) in FY25 were lower from last year. In Japan, industrial output inched up by 0.5% in Jun'25 but at a much slower pace on a MoM basis. Rise in machinery and auto sector was offset by contraction in non-auto transport equipment. In China, manufacturing PMI remained in contraction for the third time at 49.7 in Jun'25.

- Except Hong Kong and China, other equity markets advanced. The relief rally was supported by hopes of new global trade deal. Nikkei was the biggest gainer. Sensex continued the upward momentum with gains in oil and gas stocks. However, it is trading lower today, while Asian stocks are trading higher.

Fig 1 – Stock markets

	26-06-2025	27-06-2025	Change, %
Dow Jones	43,387	43,819	1.0
S & P 500	6,141	6,173	0.5
FTSE	8,736	8,799	0.7
Nikkei	39,585	40,151	1.4
Hang Seng	24,325	24,284	(0.2)
Shanghai Comp	3,448	3,424	(0.7)
Sensex	83,756	84,059	0.4
Nifty	25,549	25,638	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose by 0.3%, following gains in treasury yields. Possible revival in demand and upside pressure on inflation will impact Fed decision. GBP, JPY and CNY suffered. INR appreciated by 0.3% to its highest since early Jun'25. It is trading stronger today, in line with Asian peers.

Fig 2 – Currencies

	26-06-2025	27-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1701	1.1718	0.1
GBP/USD (1 GBP / USD)	1.3728	1.3716	(0.1)
USD/JPY (JPY / 1 USD)	144.42	144.65	(0.2)
USD/INR (INR / 1 USD)	85.71	85.49	0.3
USD/CNY (CNY / 1 USD)	7.1676	7.1726	(0.1)
DXY Index	97.15	97.40	0.3

Source: Bloomberg, Bank of Baroda Research



- Except China (flat), global yields closed higher. US 10Y yield was up by 4bps, tracking surprise rise in core PCE index (2.7% in May'25 versus est.: 2.6%). University of Michigan consumer sentiment index also improved, signalling revival in demand side pressures. India's 10Y yield rose by 4bps, due to muted demand. However, it is trading flat at 6.31% today.

Fig 3 – Bond 10Y yield

	26-06-2025	27-06-2025	Change, bps
US	4.24	4.28	4
UK	4.47	4.50	3
Germany	2.57	2.59	2
Japan	1.42	1.44	1
China	1.65	1.65	0
India	6.28	6.31	4

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-06-2025	27-06-2025	Change, bps
Tbill-91 days	5.38	5.41	3
Tbill-182 days	5.52	5.52	0
Tbill-364 days	5.53	5.53	0
G-Sec 2Y	5.78	5.79	1
India OIS-2M	5.43	5.44	1
India OIS-9M	5.50	5.51	1
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.36	4.40	4

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-06-2025	27-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.7	3.0	0.3
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	25-05-2025	26-06-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(83.1)	1,256.6	1,339.7
Debt	16.4	13.2	(3.2)
Equity	(99.5)	1,243.5	1,342.9
Mutual funds (Rs cr)	4,980.2	1,924.0	(3,056.2)
Debt	512.1	586.5	74.5
Equity	4,468.2	1,337.5	(3,130.7)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 24 Jun and 25 Jun 2025

- Oil prices hold ground, following news of inventory decline (11Y low) in the US.

Fig 7 – Commodities

	26-06-2025	27-06-2025	Change, %
Brent crude (US\$/bbl)	67.7	67.8	0.1
Gold (US\$/ Troy Ounce)	3327.9	3274.3	(1.6)
Copper (US\$/ MT)	10219.3	10118.7	(1.0)
Zinc (US\$/MT)	2765.7	2778.8	0.5
Aluminium (US\$/MT)	2583.5	2595.0	0.4

Source: Bloomberg, Bank of Baroda Research



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