

**MORNING MOCHA**

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Global markets are likely to get rattled from a Federal appellate ruling which favoured continuation of tariff against the earlier issued order of US Court that has deemed it to be illegal. Adding to further woes, US Treasury secretary emphasized US-China talks “are a bit of stalled”. There is also fresh round of restriction from the US catering to sale of chip design software and some engine jet parts to China. On macro front, Q1 second estimate of GDP showed some softening led by private consumption demand. Core PCE also moderated on a QoQ basis and jobless claims firmed up. US President insisted on softer borrowing costs. However, a Fed official hinted at uncertainty driven pause. In Japan, CPI excl. fresh food firmed up, signalling some degree of policy tightness. On domestic front, market is awaiting GDP release (BoB estimate: 6.8-7% in Q4 and 6.2-6.4% for FY25).

- Except FTSE, other global stocks ended higher. Investor sentiment was upbeat tracking a US court ruling on tariffs. Asian stocks jumped sharply, led by Nikkei and Hang Seng. Sensex too rose by 0.4% with real estate and metal stocks posting solid increases. It is however trading weaker today, in line with other Asian stocks.

**Fig 1 – Stock markets**

|               | 28-05-2025 | 29-05-2025 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones     | 42,099     | 42,216     | 0.3       |
| S & P 500     | 5,889      | 5,912      | 0.4       |
| FTSE          | 8,726      | 8,716      | (0.1)     |
| Nikkei        | 37,722     | 38,433     | 1.9       |
| Hang Seng     | 23,258     | 23,573     | 1.4       |
| Shanghai Comp | 3,340      | 3,363      | 0.7       |
| Sensex        | 81,312     | 81,633     | 0.4       |
| Nifty         | 24,752     | 24,834     | 0.3       |

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies gained against a weaker dollar. DXY declined by 0.6% as higher than expected jobless claims and weak US GDP impacted sentiments. EUR rose the most by 0.7%. INR depreciated but is trading stronger today. Asian currencies are trading mixed.

**Fig 2 – Currencies**

|                       | 28-05-2025 | 29-05-2025 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.1292     | 1.1370     | 0.7       |
| GBP/USD (1 GBP / USD) | 1.3469     | 1.3492     | 0.2       |
| USD/JPY (JPY / 1 USD) | 144.84     | 144.21     | 0.4       |
| USD/INR (INR / 1 USD) | 85.37      | 85.53      | (0.2)     |
| USD/CNY (CNY / 1 USD) | 7.1959     | 7.1859     | 0.1       |
| DXY Index             | 99.88      | 99.28      | (0.6)     |

Source: Bloomberg, Bank of Baroda Research



- UK's 10Y yield fell the most as one BoE official has downplayed inflationary risks hinting at softer policy. Even in the US, softer macro data guided yields. Japan's 10Y yield inched a tad ahead of 2-year bond auction. India's 10Y yield also went up marginally. The new benchmark security is trading lower at 6.18% today.

**Fig 3 – Bond 10Y yield**

|         | 28-05-2025 | 29-05-2025 | Change, bps |
|---------|------------|------------|-------------|
| US      | 4.48       | 4.42       | (6)         |
| UK      | 4.73       | 4.65       | (8)         |
| Germany | 2.55       | 2.51       | (5)         |
| Japan   | 1.52       | 1.53       | 1           |
| China   | 1.71       | 1.72       | 1           |
| India   | 6.24       | 6.25       | 1           |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 28-05-2025 | 29-05-2025 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days            | 5.61       | 5.60       | (1)         |
| Tbill-182 days           | 5.62       | 5.61       | (1)         |
| Tbill-364 days           | 5.62       | 5.60       | (2)         |
| G-Sec 2Y                 | 5.72       | 5.71       | (1)         |
| India OIS-2M             | 5.67       | 5.67       | 0           |
| India OIS-9M             | 5.57       | 5.57       | 0           |
| SONIA int rate benchmark | 4.21       | 4.21       | 0           |
| US SOFR                  | 4.31       | 4.33       | 2           |

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

| Rs tn                             | 28-05-2025 | 29-05-2025 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | 1.9        | 1.8        | (0.1)          |
| Reverse Repo                      | 0          | 0          | 0              |
| Repo*                             | 0.3        | 0.3        | 0              |

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

**Fig 6 – Capital market flows**

|                      | 27-05-2025 | 28-05-2025 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | (24.5)     | 378.7      | 403.1                  |
| Debt                 | (136.1)    | (164.0)    | (27.9)                 |
| Equity               | 111.7      | 542.6      | 431.0                  |
| Mutual funds (Rs cr) | (1,597.8)  | (2,979.2)  | (1,381.3)              |
| Debt                 | (7,200.2)  | (3,690.6)  | 3,509.7                |
| Equity               | 5,602.4    | 711.4      | (4,891.0)              |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 20 May and 21 May 2025

- Oil prices declined by over 1% tracking weak US macro data.

**Fig 7 – Commodities**

|                         | 28-05-2025 | 29-05-2025 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl)  | 64.9       | 64.2       | (1.2)     |
| Gold (US\$/ Troy Ounce) | 3287.5     | 3317.9     | 0.9       |
| Copper (US\$/ MT)       | 9610.0     | 9619.6     | 0.1       |
| Zinc (US\$/MT)          | 2666.7     | 2652.8     | (0.5)     |
| Aluminium (US\$/MT)     | 2468.5     | 2450.5     | (0.7)     |

Source: Bloomberg, Bank of Baroda Research



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