

MORNING MOCHA

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Global markets have started the week on a tumultuous note, as threats of a global trade war have increased. Over the weekend, US tariffs on Canada, Mexico and China took effect. Both Canada and Mexico have vowed retaliatory tariffs, increasing the odds of a broader trade war which can have a negative impact on global growth and inflation. Asian markets are trading sharply lower today, and currencies including INR, are trading at multi-year lows. Market volatility is likely to be heightened amidst uncertainty over US policies. On macro front, manufacturing PMI in both China and Japan weakened. In India, investors monitored the Budget announcements. Fiscal consolidation, along with continued focus on capital expenditure, consumption, exports and investment are likely to be positive for growth. This should support domestic markets despite unfavourable global cues.

- Global stocks closed mixed as tariff threat loomed. Investors are now expecting increased retaliatory measures by few economies. US stocks ended lower as firm core PCE data dented hopes of monetary easing. Stocks in Japan were supported by buoyant macro data (industrial production). Sensex closed flat. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	30-01-2025	31-01-2025	Change, %
Dow Jones	44,882	44,545	(0.8)
S & P 500	6,071	6,041	(0.5)
FTSE	8,647	8,674	0.3
Nikkei	39,514	39,572	0.1
Hang Seng	20,198	20,225	0.1
Shanghai Comp	3,253	3,251	(0.1)
Sensex	77,501	77,506	0
Nifty	23,508	23,482	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China remain closed since 28 Jan 2025 | For India, data as of 1 Feb 2025

- Global currencies depreciated as the threat of US tariffs loomed. DXY rose by 0.5%. EUR fell as retail sales in Germany declined unexpectedly in Dec'24. JPY also depreciated even as a higher-than-expected CPI print in Tokyo raised the likelihood of higher rates. INR ended flat. However, it is tracking sharply lower at a record low today. Asian currencies are also trading weaker.

Fig 2 – Currencies

	30-01-2025	31-01-2025	Change, %
EUR/USD (1 EUR / USD)	1.0391	1.0362	(0.3)
GBP/USD (1 GBP / USD)	1.2419	1.2395	(0.2)
USD/JPY (JPY / 1 USD)	154.29	155.19	(0.6)
USD/INR (INR / 1 USD)	86.63	86.62	0
USD/CNY (CNY / 1 USD)	7.2411	7.2446	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China remain closed since 28 Jan 2025



- Global yields closed mixed. Germany's 10Y yield fell the most supported by a softening CPI print. Further, ECB officials also spoke of focussing on growth as inflation is losing steam. US 10Y yield firmed up tracking core PCE data. India's 10Y yield inched up by 2bps. However, it is trading lower today, supported by government's adherence to fiscal consolidation.

Fig 3 – Bond 10Y yield

	30-01-2025	31-01-2025	Change, bps
US	4.52	4.54	2
UK	4.56	4.54	(2)
Germany	2.52	2.46	(6)
Japan	1.22	1.25	3
China	1.66	1.63	(3)
India	6.68	6.70	2

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China remain closed since 28 Jan 2025

Fig 4 – Short term rates

	30-01-2025	31-01-2025	Change, bps
Tbill-91 days	6.55	6.55	0
Tbill-182 days	6.65	6.61	(4)
Tbill-364 days	6.63	6.60	(3)
G-Sec 2Y	6.61	6.61	1
India OIS-2M	6.52	6.51	(1)
India OIS-9M	6.36	6.34	(2)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.35	4.35	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-01-2025	31-01-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(2.2)	(1.8)	0.4
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-01-2025	30-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(133.8)	(79.1)	54.7
Debt	73.7	123.5	49.8
Equity	(207.5)	(202.6)	4.9
Mutual funds (Rs cr)	899.1	293.0	(606.1)
Debt	(4,502.3)	(1,387.2)	3,115.1
Equity	5,401.4	1,680.2	(3,721.2)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 28 Jan and 29 Jan 2025

- Oil prices were broadly steady tracking US tariff policies.

Fig 7 – Commodities

	30-01-2025	31-01-2025	Change, %
Brent crude (US\$/bbl)	76.9	76.8	(0.1)
Gold (US\$/ Troy Ounce)	2,794.6	2,798.4	0.1
Copper (US\$/ MT)	9,008.7	8,928.5	(0.9)
Zinc (US\$/MT)	2,742.3	2,692.2	(1.8)
Aluminium (US\$/MT)	2,626.5	2,594.0	(1.2)

Source: Bloomberg, Bank of Baroda Research



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