

MORNING MOCHA

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Continued uncertainty over US tariff policies kept global markets on edge. US President announced a 30-day pause on his plans to impose 25% tariff on Canada and Mexico. This came after Canada and Mexico agreed to co-operate with the US on the critical border issues such as migration and drug trafficking. Tariffs on China remain on course, even as the two countries agreed on a dialogue, raising the likelihood of a lower tariff rate. Given the softer US tariff stance, some respite is expected for global markets. On macro front, US ISM manufacturing PMI rose to 50.9 in Jan'25, crossing the crucial 50-mark for the first time since Sep'22. Separately, inflation in the Euro Zone inflation rose to 2.5% in Jan'25 from 2.4% in Dec'24, but remained in line with ECB's projected course, paving the way for further rate cuts. In India, manufacturing PMI rose to 57.7 in Jan'25 from 56.4 in Dec'24, led by a sharp increase in new export orders.

- Global stocks closed lower amidst risk-off sentiment surrounding developments on tariff. Nikkei fell the most, tracking interest rate differential with the US. FTSE also declined considerably despite growing expectations of rate cut by BoE. Sensex edged down, led by capital goods stocks. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	31-01-2025	03-02-2025	Change, %
Dow Jones	44,545	44,422	(0.3)
S & P 500	6,041	5,995	(0.8)
FTSE	8,674	8,584	(1.0)
Nikkei	39,572	38,520	(2.7)
Hang Seng	20,225	20,217	0
Shanghai Comp	3,253	3,251	(0.1)
Sensex	77,506	77,187	(0.4)
Nifty	23,482	23,361	(0.5)

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

- Global currencies ended mixed. DXY rose by 0.5% tracking an uptick in US ISM manufacturing PMI. JPY rose by 0.3% led by hopes of further monetary tightening. INR slumped to a fresh record low, due to adverse global cues. However, it is trading stronger today in line with other Asian currencies.

Fig 2 – Currencies

	31-01-2025	03-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0362	1.0344	(0.2)
GBP/USD (1 GBP / USD)	1.2395	1.2450	0.4
USD/JPY (JPY / 1 USD)	155.19	154.73	0.3
USD/INR (INR / 1 USD)	86.62	87.20	(0.7)
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 as ongoing geopolitical developments have raised hopes of monetary easing by ECB. UK's 10Y yield also moderated as markets are expecting a 25bps rate cut by BoE. US 10Y yield firmed up tracking higher US PMI. India's 10Y yield moderated, led by government's fiscal consolidation. It is trading at 6.68% today.

Fig 3 – Bond 10Y yield

	31-01-2025	03-02-2025	Change, bps
US	4.54	4.56	2
UK	4.54	4.49	(5)
Germany	2.46	2.39	(8)
Japan	1.25	1.25	1
China	1.66	1.63	(3)
India	6.70	6.67	(3)

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

Fig 4 – Short term rates

	31-01-2025	03-02-2025	Change, bps
Tbill-91 days	6.55	6.50	(5)
Tbill-182 days	6.63	6.61	(2)
Tbill-364 days	6.57	6.61	4
G-Sec 2Y	6.60	6.58	(2)
India OIS-2M	6.58	6.55	(3)
India OIS-9M	6.34	6.33	(1)
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.36	4.38	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	31-01-2025	03-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.8)	(1.1)	0.7
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	30-01-2025	31-01-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(79.1)	1,082.4	1,161.5
Debt	123.5	1,082.6	959.1
Equity	(202.6)	(0.2)	202.4
Mutual funds (Rs cr)	293.0	(8,532.4)	(8,825.4)
Debt	(1,387.2)	(6,293.1)	(4,905.9)
Equity	1,680.2	(2,239.4)	(3,919.6)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 29 Jan and 30 Jan 2025

- Oil prices declined amidst continued uncertainty over US tariff policies.

Fig 7 – Commodities

	31-01-2025	03-02-2025	Change, %
Brent crude (US\$/bbl)	76.8	76.0	(1.0)
Gold (US\$/ Troy Ounce)	2,798.4	2,815.2	0.6
Copper (US\$/ MT)	8,928.5	8,978.6	0.6
Zinc (US\$/MT)	2,692.2	2,750.4	2.2
Aluminium (US\$/MT)	2,594.0	2,623.0	1.1

Source: Bloomberg, Bank of Baroda Research



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