

MORNING MOCHA

06 October 2025

ECONOMIST

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In the US, ISM services PMI reading came in lower than expected at 50% in Sep'25 (from 52% in Aug'25). Weakness was noted in business activity (49.9% from 55%). Employment though inched up (47.2% from 46.5%), remained in the contractionary zone for the 4th straight month. Investors will monitor developments around US government shutdown. They will also track the OPEC+ decision, given the oil prices have slipped amidst oversupply and a decision on possibly reducing curbs on output, imposed previously during the Covid-19 period. Next, Reserve Bank of New Zealand is expected to reduce rates this week, by 25bps to 2.75%. New Zealand's economy had contracted in Q2CY26 due to weak housing market and tariff related uncertainty.

- Except Hang Seng, other global indices closed broadly higher. US stocks rose, with both Dow Jones and S&P 500 closing at a record high as investors continue to expect rate cuts from the Fed. Nikkei rose tracking developments surrounding the election of the new PM. Sensex closed higher led by gains in metals and consumer durable stocks. It is trading further higher today, in line with other Asian indices.

Table 1 – Stock markets

	02-10-2025	03-10-2025	Change, %
Dow Jones	46,520	46,758	0.5
S & P 500	6,715	6,716	0
FTSE	9,428	9,491	0.7
Nikkei	44,937	45,770	1.9
Hang Seng	27,287	27,141	(0.5)
Shanghai Comp	3,863	3,883	0.5
Sensex	80,983	81,207	0.3
Nifty	24,836	24,894	0.2

Source: Bloomberg, Bank of Baroda Research Note: Indian market was closed on 02-10-2025, Chinese market are closed since 01-10-2025

- Global currencies ended mixed. DXY fell amidst a sharp drop in US ISM services index. Mixed commentary from Fed officials also impacted sentiments. Amongst major currencies, both EUR and GBP gained. INR continued to remain under pressure and traded near a lifetime low. It is trading tad higher today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	02-10-2025	03-10-2025	Change, %
EUR/USD (1 EUR / USD)	1.1715	1.1742	0.2
GBP/USD (1 GBP / USD)	1.3440	1.3480	0.3
USD/JPY (JPY / 1 USD)	147.26	147.47	(0.1)
USD/INR (INR / 1 USD)	88.69	88.78	(0.1)
USD/CNY (CNY / 1 USD)	7.1224	7.1224	0
DXY Index	97.85	97.72	(0.1)

Source: Bloomberg, Bank of Baroda Research| Note: Indian market was closed on 02-10-2025, Chinese market are closed since 01-10-2025



- Global 10Y yields closed mixed. US 10Y edged up by 4bps shrugging of any concerns related to the ongoing government shutdown. UK 10Y yield declined amidst the contrasting commentaries by Government and Fed Governor on scaling back financial regulation. India's 10Y yield fell by 3bps, tracking commentary by RBI. It is trading further lower today at 6.50%.

Table 3 – Bond 10Y yield

	02-10-2025	03-10-2025	Change, bps
US	4.08	4.12	4
UK	4.71	4.69	(2)
Germany	2.70	2.70	0
Japan	1.66	1.66	0
China	1.90	1.87	(3)
India	6.52	6.51	(1)

Source: Bloomberg, Bank of Baroda Research| Note: Indian market was closed on 02-10-2025, Chinese market are closed since 01-10-2025

Table 4 – Short term rates

	02-10-2025	03-10-2025	Change, bps
Tbill-91 days	5.48	5.46	(2)
Tbill-182 days	5.57	5.55	(2)
Tbill-364 days	5.58	5.58	0
G-Sec 2Y	5.76	5.68	(7)
India OIS-2M	5.49	5.49	0
India OIS-9M	5.42	5.41	(1)
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.20	4.20	0

Source: Bloomberg, Bank of Baroda Research| Note: Indian market was closed on 02-10-2025

Table 5 – Liquidity

Rs tn	01-10-2025	03-10-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.7	1.9	0.2

Source: RBI, Bank of Baroda Research| Note: Indian market was closed on 02-10-2025

Table 6 – Capital market flows

	30-09-2025	01-10-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(278.8)	17.8	296.5
Debt	174.7	(2.9)	(177.6)
Equity	(453.4)	20.7	474.1
Mutual funds (Rs cr)	5,458.3	1,406.4	(4,051.8)
Debt	129.4	(1,813.9)	(1,943.3)
Equity	5,328.8	3,220.3	(2,108.5)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 26 Sep and 29 Sep 2025

- Oil prices rose marginally amidst reports of fire in a key US refinery.

Table 7 – Commodities

	02-10-2025	03-10-2025	Change, %
Brent crude (US\$/bbl)	64.1	64.5	0.7
Gold (US\$/ Troy Ounce)	3,856.6	3,886.5	0.8
Copper (US\$/ MT)	10,456.4	10,690.3	2.2
Zinc (US\$/MT)	3,095.9	3,102.6	0.2
Aluminium (US\$/MT)	2,692.5	2,709.5	0.6

Source: Bloomberg, Bank of Baroda Research



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