

## MORNING MOCHA

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Investors' focus this week is likely to remain on tariff news from the US. The 90-day pause on President Trump's Liberation Day tariffs is set to expire on 9 Jul 2025. Over the weekend, US officials stated that announcements of more trade deals are likely before the deadline. However, the US President also stated higher tariff rates (up to 70%) for countries who have failed to negotiate, will take effect from 1 Aug 2025. So far, the US has struck a trade deal with the UK and Vietnam and a tentative agreement with China. India is supposedly close to a trade deal, but it remains to be seen if an official announcement could be made before the end of the deadline. Volatility can be expected to remain high tracking these developments, with the Indian market too awaiting more clarity on the trade deal.

- Global stocks ended mixed. Hang Seng declined on US plans to curb AI chip shipments. Shanghai Comp got support from recent upbeat macro reading (PMI print). Nikkei firmed up, despite a stronger yen and uncertainty over trade deal with the US. Sensex inched up, led by oil and gas stocks. It is trading lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	03-07-2025	04-07-2025	Change, %
Dow Jones	44,484	44,829	0.8
S & P 500	6,227	6,279	0.8
FTSE	8,823	8,823	0
Nikkei	39,786	39,811	0.1
Hang Seng	24,070	23,916	(0.6)
Shanghai Comp	3,461	3,472	0.3
Sensex	83,239	83,433	0.2
Nifty	25,405	25,461	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in the US were closed on 04 Jul 2025

- Except INR, other global currencies closed broadly higher. DXY was rangebound due to thin trading. JPY appreciated as Japan's household spending staged a strong rebound. Despite weak macro data, EUR gained. INR depreciated marginally. It is trading further weaker today, tracking other Asian currencies.

**Fig 2 – Currencies**

	03-07-2025	04-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1757	1.1778	0.2
GBP/USD (1 GBP / USD)	1.3655	1.3650	0
USD/JPY (JPY / 1 USD)	144.93	144.47	0.3
USD/INR (INR / 1 USD)	85.32	85.40	(0.1)
USD/CNY (CNY / 1 USD)	7.1706	7.1656	0.1
DXY Index	97.18	97.18	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in the US were closed on 04 Jul 2025



- Global 10Y yields traded thinly. Germany's 10Y yield softened a tad as ECB official hinted that inflation might undershoot its target. US markets were closed. However, it's 10Y yield is likely to firm up on fiscal concerns. India's 10Y yield rose a tad and is trading further higher at 6.34% today. VRRR auction results showed buoyancy, indicative of surplus liquidity.

**Fig 3 – Bond 10Y yield**

	03-07-2025	04-07-2025	Change, bps
US	4.28	4.35	7
UK	4.54	4.55	1
Germany	2.62	2.61	(1)
Japan	1.44	1.44	(1)
China	1.64	1.65	0
India	6.29	6.30	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in the US were closed on 04 Jul 2025

**Fig 4 – Short term rates**

	03-07-2025	04-07-2025	Change, bps
Tbill-91 days	5.33	5.30	(3)
Tbill-182 days	5.45	5.45	0
Tbill-364 days	5.53	5.53	0
G-Sec 2Y	5.72	5.71	(1)
India OIS-2M	5.43	5.39	(4)
India OIS-9M	5.49	5.48	(1)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.44	4.40	(4)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in the US were closed on 04 Jul 2025

**Fig 5 – Liquidity**

Rs tn	03-07-2025	04-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	4.0	4.2	0.2
Reverse Repo	0.8	0	(0.8)
Repo*	0	0	0

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

**Fig 6 – Capital market flows**

	02-07-2025	03-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(83.6)	(256.4)	(172.9)
Debt	3.6	48.6	45.0
Equity	(87.2)	(305.1)	(217.9)
Mutual funds (Rs cr)	(389.2)	87.9	477.0
Debt	(165.3)	(2,164.8)	(1,999.6)
Equity	(223.9)	2,252.7	2,476.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 27 Jun and 30 Jun 2025

- Oil prices edged lower amidst anticipation of higher OPEC+ output.

**Fig 7 – Commodities**

	03-07-2025	04-07-2025	Change, %
Brent crude (US\$/bbl)	68.8	68.3	(0.7)
Gold (US\$/ Troy Ounce)	3326.1	3337.2	0.3
Copper (US\$/ MT)	10042.1	9959.9	(0.8)
Zinc (US\$/MT)	2728.5	2702.4	(1.0)
Aluminium (US\$/MT)	2605.0	2590.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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