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US President extended the tariff deadline to 1 Aug 2025, while also stating that the new deadline was “not 100% firm”. This provided a brief reprieve to investor sentiments. At the same time, the US President raised tariffs on key trading partners Korea and Japan to 25%. Both the countries have stated that they would step up efforts to expedite trade negotiations with the US. A few other countries including Bangladesh, Thailand etc. were also notified of higher tariff rates applicable from 1 Aug 2025. The tariff rates are broadly at similar levels as those announced on 2 Apr 2025. The US administration is also expected to notify other trading partners of the new tariff rates in the coming days, while also stating that it remains open for consultations. Incidentally, EU and India were kept out of the fresh round of tariff announcements, as trade negotiations are set to be at advanced stages. Volatility is likely to remain high tracking US tariff news.

- Global stocks ended lower. US President's imposition of higher tariff on Japan, South Korea and South Africa soured equity market sentiments. US Stocks fell the most. Sensex closed flat as gains in oil and gas stocks were offset by decline in tech stocks. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	04-07-2025	07-07-2025	Change, %
Dow Jones	44,829	44,406	(0.9)
S & P 500	6,279	6,230	(0.8)
FTSE	8,823	8,807	(0.2)
Nikkei	39,811	39,588	(0.6)
Hang Seng	23,916	23,888	(0.1)
Shanghai Comp	3,472	3,473	0
Sensex	83,433	83,443	0
Nifty	25,461	25,461	0

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

- Global currencies ended weaker as the dollar strengthened. DXY rose by 0.3% on tariff jitters. JPY depreciated the most by 1.1% as US President upped his tariff antics. INR also depreciated by 0.5% tracking global cues. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	04-07-2025	07-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1778	1.1709	(0.6)
GBP/USD (1 GBP / USD)	1.3650	1.3602	(0.4)
USD/JPY (JPY / 1 USD)	144.47	146.05	(1.1)
USD/INR (INR / 1 USD)	85.40	85.86	(0.5)
USD/CNY (CNY / 1 USD)	7.1656	7.1762	(0.1)
DXY Index	97.18	97.48	0.3

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



- Global 10Y yields closed higher partly relieved by extension of tariff deadline to 1 Aug. Germany's 10Y yield inched up the most supported by better industrial production print. Elsewhere, yields saw the impact of risk alignment. India's 10Y yield closed flat. The benchmark security is trading at 6.29% today. Higher surplus liquidity may lead to more VRRR announcements by RBI this week.

Fig 3 – Bond 10Y yield

	04-07-2025	07-07-2025	Change, bps
US	4.35	4.38	3
UK	4.55	4.59	3
Germany	2.61	2.64	4
Japan	1.44	1.46	3
China	1.65	1.64	0
India	6.30	6.29	0

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

Fig 4 – Short term rates

	04-07-2025	07-07-2025	Change, bps
Tbill-91 days	5.30	5.26	(4)
Tbill-182 days	5.45	5.44	(1)
Tbill-364 days	5.53	5.52	(1)
G-Sec 2Y	5.71	5.69	(1)
India OIS-2M	5.39	5.39	0
India OIS-9M	5.48	5.49	1
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.40	4.35	(5)

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

Fig 5 – Liquidity

Rs tn	04-07-2025	07-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	4.2	3.4	(0.8)
Reverse Repo	0	1.1	1.1
Repo*	0	0	0

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

Fig 6 – Capital market flows

	03-07-2025	04-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(256.4)	50.5	306.9
Debt	48.6	(30.6)	(79.2)
Equity	(305.1)	81.0	386.1
Mutual funds (Rs cr)	(3,052.3)	4,863.9	7,916.2
Debt	(3,281.8)	3,841.5	7,123.2
Equity	229.5	1,022.4	792.9

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 30 Jun and 3 Jul 2025

- Oil prices rose even as OPEC+ announced higher production in Aug'25.

Fig 7 – Commodities

	04-07-2025	07-07-2025	Change, %
Brent crude (US\$/bbl)	68.3	69.6	1.9
Gold (US\$/ Troy Ounce)	3,337.2	3,336.5	0
Copper (US\$/ MT)	9,959.9	9,909.3	(0.5)
Zinc (US\$/MT)	2,702.4	2,662.5	(1.5)
Aluminium (US\$/MT)	2,590.0	2,573.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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