

MORNING MOCHA

09 July 2025

ECONOMIST

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Tariff concerns were reignited as US President threatened to impose 50% tariff on copper imports, along with introducing higher tariffs on semiconductors and pharmaceuticals. A 200% tariff was proposed on pharma imports, although it was stated that this could be pushed back by a year. The US President also indicated that the US was close to reaching a trade deal with the Eurozone as well as China. At the same time, the President reiterated his threat of imposing 10% tariff on BRICS countries, including India. In separate news, Reserve Bank of Australia held rates steady, in sharp contrast to market expectations of a 25bps rate cut. The split decision (6-3) was based on uncertainty over the inflation outlook due to global developments. In India, RBI announced a 2-day VRRR auction worth Rs. 1lakh crores as liquidity continues to remain in surplus.

- An amalgamation of sentiments is coming into play while assessing market dynamics. Asian stocks were broadly comforted from the extension of tariff deadline till 1 Aug 2025. US stocks were however impacted by anticipation of elevated tariff rates on copper and pharma. Sensex closed higher, led by real estate stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	07-07-2025	08-07-2025	Change, %
Dow Jones	44,406	44,241	(0.4)
S & P 500	6,230	6,226	(0.1)
FTSE	8,807	8,854	0.5
Nikkei	39,588	39,689	0.3
Hang Seng	23,888	24,148	1.1
Shanghai Comp	3,473	3,497	0.7
Sensex	83,443	83,713	0.3
Nifty	25,461	25,523	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY closed unchanged as investors sought more clarity on US tariff policies. JPY fell further as US announced 25% tariffs on Japan. INR appreciated by 0.2% on anticipation of favourable US trade deal. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	07-07-2025	08-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1709	1.1725	0.1
GBP/USD (1 GBP / USD)	1.3602	1.3592	(0.1)
USD/JPY (JPY / 1 USD)	146.05	146.58	(0.4)
USD/INR (INR / 1 USD)	85.86	85.70	0.2
USD/CNY (CNY / 1 USD)	7.1762	7.1785	0
DXY Index	97.48	97.52	0

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed higher as fear of elevated tariff stoked inflationary concerns, especially due to threats of commodity specific tariffs. UK's 10Y yield rose the most, followed by Japan and Germany. A key ECB official also hinted at a wait and watch approach based on incoming data. India's 10Y yield closed a tad higher. The benchmark security is trading flat today.

Fig 3 – Bond 10Y yield

	07-07-2025	08-07-2025	Change, bps
US	4.38	4.40	2
UK	4.59	4.63	5
Germany	2.64	2.69	4
Japan	1.46	1.50	4
China	1.64	1.65	0
India	6.29	6.31	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-07-2025	08-07-2025	Change, bps
Tbill-91 days	5.26	5.28	2
Tbill-182 days	5.44	5.40	(4)
Tbill-364 days	5.52	5.54	2
G-Sec 2Y	5.72	5.69	(3)
India OIS-2M	5.39	5.39	0
India OIS-9M	5.49	5.48	(1)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.35	4.33	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-07-2025	08-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.4	3.1	(0.3)
Reverse Repo	1.1	1.0	(0.1)
Repo*	0	0	0

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

Fig 6 – Capital market flows

	04-07-2025	07-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	50.5	183.7	133.2
Debt	(30.6)	(139.2)	(108.7)
Equity	81.0	322.9	241.9
Mutual funds (Rs cr)	4,863.9	2,860.8	(2,003.0)
Debt	3,841.5	3,286.8	(554.6)
Equity	1,022.4	(426.0)	(1,448.4)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 03 Jul and 04 Jul 2025

- Oil prices rose amid escalated geopolitical tensions on renewed Houthi attacks.

Fig 7 – Commodities

	07-07-2025	08-07-2025	Change, %
Brent crude (US\$/bbl)	69.6	70.2	0.8
Gold (US\$/ Troy Ounce)	3,336.5	3,301.9	(1.0)
Copper (US\$/ MT)	9,909.3	9,841.8	(0.7)
Zinc (US\$/MT)	2,662.5	2,710.6	1.8
Aluminium (US\$/MT)	2,573.5	2,586.0	0.5

Source: Bloomberg, Bank of Baroda Research



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