

MORNING MOCHA

09 September 2025

ECONOMIST

Dipanwita Mazumdar

Investor focus centred on political developments. French PM has lost a confidence vote in the National Assembly. This came in the wake of his stance on trimming down budget deficit to 4.6% in CY26. Elsewhere, investors monitored resignation of Japan's PM. Argentina's mid-term election also showed major defeat for the Milei administration. Amongst major macro releases, China's exports maintained some momentum led by higher shipments to EU and Japan outweighing the decline in exports to the US. Germany's industrial production remained upbeat. Japan's Q2 GDP was revised upward to 2.2% from 1% earlier, led by firming up of private consumption demand. On domestic front, Finance Minister assured that fiscal consolidation will be on its path, and the new indirect rate is expected to spur consumption demand and improve revenue buoyancy of the economy.

- Global stocks ended higher on growing expectations of a Fed rate cut. Stocks in the US rose, even as investors remained watchful of the CPI data. Nikkei surged the most, as investors anticipate fresh fiscal stimulus. Technology shares advanced the most. Sensex ended higher as auto stocks rallied sharply. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	05-09-2025	08-09-2025	Change, %
Dow Jones	45,401	45,515	0.3
S & P 500	6,482	6,495	0.2
FTSE	9,208	9,221	0.1
Nikkei	43,019	43,644	1.5
Hang Seng	25,418	25,634	0.8
Shanghai Comp	3,813	3,827	0.4
Sensex	80,711	80,787	0.1
Nifty	24,741	24,773	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY dipped by 0.3% on Fed rate cut expectations. Despite political uncertainty, EUR strengthened by 0.4%. On the other hand, JPY was marginally weaker tracking the resignation of PM Ishiba. INR is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	05-09-2025	08-09-2025	Change, %
EUR/USD (1 EUR / USD)	1.1717	1.1763	0.4
GBP/USD (1 GBP / USD)	1.3509	1.3545	0.3
USD/JPY (JPY / 1 USD)	147.43	147.50	0
USD/INR (INR / 1 USD)	88.15	88.27	(0.1)
USD/CNY (CNY / 1 USD)	7.1328	7.1298	0
DXY Index	97.77	97.45	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Sep 2025



- Except China (tad higher), global yields softened. UK's 10Y yield fell the most monitoring weak pay growth data. US 10Y yield also moderated albeit firming up of NY Fed inflation expectations data. India's 10Y yield fell by 3bps in the earlier trading session as GST rate cut has boosted confidence. It is trading further lower at 6.45% today.

Fig 3 – Bond 10Y yield

	05-09-2025	08-09-2025	Change, bps
US	4.07	4.04	(3)
UK	4.65	4.61	(4)
Germany	2.66	2.64	(2)
Japan	1.58	1.57	(1)
China	1.78	1.79	1
India	6.49	6.47	(3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Sep 2025

Fig 4 – Short term rates

	04-09-2025	05-09-2025	Change, bps
Tbill-91 days	5.50	5.50	0
Tbill-182 days	5.61	5.61	0
Tbill-364 days	5.65	5.65	0
G-Sec 2Y	5.83	5.82	(1)
India OIS-2M	5.47	5.48	1
India OIS-9M	5.47	5.46	(1)
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.41	4.42	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 Sep 2025

Fig 5 – Liquidity

Rs tn	05-09-2025	08-09-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.9	2.9	0
Reverse Repo	1.7	1.5	(0.2)
Repo*	0	0	0

Source: RBI, Bank of Baroda Research, *Includes LTRO | Note: Markets in India were closed on 8 Sep 2025

Fig 6 – Capital market flows

	02-09-2025	03-09-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(89.3)	(46.8)	42.5
Debt	17.2	31.0	13.8
Equity	(106.5)	(77.7)	28.7
Mutual funds (Rs cr)	839.9	(3,906.8)	(4,746.7)
Debt	(2,439.9)	(4,580.3)	(2,140.4)
Equity	3,279.8	673.5	(2,606.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 1 and 2 Sep 2025

- Oil prices edged up as OPEC+ announced a lower-than-expected output hike.

Fig 7 – Commodities

	05-09-2025	08-09-2025	Change, %
Brent crude (US\$/bbl)	65.5	66.0	0.8
Gold (US\$/ Troy Ounce)	3,586.7	3,636.0	1.4
Copper (US\$/ MT)	9,829.5	9,833.9	0
Zinc (US\$/MT)	2,883.4	2,893.0	0.3
Aluminium (US\$/MT)	2,600.5	2,617.5	0.7

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com