

MORNING MOCHA

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ECONOMIST
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US economy is signalling a slowdown as its industrial output fell by (-) 0.2% (MoM) in May'25 (est.: 0%) following 0.1% increase in Apr'25. The drag came from (-) 2.9% decline in index for utilities. Manufacturing sector growth rose by 0.1% from (-) 0.5% in Apr'25, supported by 4.9% increase in index for motor vehicles and parts. On the consumption front, retail sales fell by (-) 0.9% in May'25 versus 0.1% in Apr'25, thus recording steepest decline in 4 months. Sales of motor vehicles and parts fell the most (-3.5% versus -0.6%), followed by building material, and electronics and appliances. Elevated interest rates remain a concern. Separately, tracking heightened uncertainty globally, BoJ decided to keep its rates on hold at 0.5%. Inflation risks were highlighted as crude prices are inching up. The central bank also decided to reduce its bond buying program by 200bn Yen/quarter from 400bn Yen.

- Barring Nikkei (higher) and Shanghai Comp (flat), other global stocks ended lower amidst escalated tensions around Middle East conflict. Additionally, investors are also closely monitoring any news related to tariffs and interest rate trajectory. Sensex declined with losses in metal and oil & gas stocks. It is trading lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	16-06-2025	17-06-2025	Change, %
Dow Jones	42,515	42,216	(0.7)
S & P 500	6,033	5,983	(0.8)
FTSE	8,875	8,834	(0.5)
Nikkei	38,311	38,537	0.6
Hang Seng	24,061	23,980	(0.3)
Shanghai Comp	3,389	3,387	0
Sensex	81,796	81,583	(0.3)
Nifty	24,947	24,853	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower. DXY firmed up ahead of the inflation data and the dot plot from FOMC. GBP slipped awaiting softer inflation print and BoE rate decision. INR depreciated given higher oil prices. It is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	16-06-2025	17-06-2025	Change, %
EUR/USD (1 EUR / USD)	1.1561	1.1480	(0.7)
GBP/USD (1 GBP / USD)	1.3578	1.3429	(1.1)
USD/JPY (JPY / 1 USD)	144.75	145.29	(0.4)
USD/INR (INR / 1 USD)	86.06	86.24	(0.2)
USD/CNY (CNY / 1 USD)	7.1802	7.1868	(0.1)
DXY Index	98.00	98.82	0.8

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. US 10Y yield was down by 6bps, following weaker than expected industrial output and retail sales data. Yields rose in Japan, UK and Germany. Continued escalation in tensions between Iran and Israel remains a key concern. India's 10Y yield fell by 1bps. However, tracking rise in oil prices, it is trading higher at 6.33% today.

Fig 3 – Bond 10Y yield

	16-06-2025	17-06-2025	Change, bps
US	4.45	4.39	(6)
UK	4.53	4.55	2
Germany	2.53	2.54	1
Japan	1.44	1.47	3
China	1.70	1.69	(1)
India	6.27	6.27	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	16-06-2025	17-06-2025	Change, bps
Tbill-91 days	5.37	5.36	(1)
Tbill-182 days	5.44	5.45	1
Tbill-364 days	5.50	5.50	0
G-Sec 2Y	5.78	5.75	(3)
India OIS-2M	5.42	5.39	(3)
India OIS-9M	5.51	5.47	(4)
SONIA int rate benchmark	4.21	4.21	0
US SOFR	4.28	4.32	4

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	16-06-2025	17-06-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.7	2.9	0.2
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	13-06-2025	16-06-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(106.2)	(362.2)	(256.0)
Debt	(62.8)	(54.4)	8.4
Equity	(43.4)	(307.8)	(264.4)
Mutual funds (Rs cr)	9,431.1	1,804.4	(7,626.7)
Debt	1,250.7	26.4	(1,224.3)
Equity	8,180.4	1,778.0	(6,402.4)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 12 Jun and 13 Jun 2025

- Oil prices rose sharply as tensions in the Middle East continue to swell.

Fig 7 – Commodities

	16-06-2025	17-06-2025	Change, %
Brent crude (US\$/bbl)	73.2	76.5	4.4
Gold (US\$/ Troy Ounce)	3385.2	3388.1	0.1
Copper (US\$/ MT)	9798.6	9791.8	(0.1)
Zinc (US\$/MT)	2633.4	2610.5	(0.9)
Aluminium (US\$/MT)	2513.5	2550.5	1.5

Source: Bloomberg, Bank of Baroda Research



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