

MORNING MOCHA

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ECONOMIST
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In the US initial jobless claims rose by 8,000 to 237k (for the week ending 30-Aug), highest level since Jun'25 and from 229k a week earlier. The continuing claims were marginally lower at 1.94mn in the week though 23-Aug. The softness in the labour market was further reiterated by the private payrolls data. ADP employment report noted, private employment increased by only 54k from 106k in Jul'25. This comes ahead of the monthly jobs report which is expected to provide some more guidance on rate trajectory. US ISM services PMI surpassed expectations and climbed to 52 level mark in Aug from 50.1 in Jul'25, with gains in new orders. Separately on tariff front, US and Japan signed a trade deal in a move to strengthen bilateral trade relations. Tariffs on auto has been reduced down to 15% from 27.5% earlier. The executive order has confirmed investment commitment of US\$ 550bn from Japan.

- Barring Hang Seng and Shanghai Comp, other global markets closed higher. S&P 500 advanced to record high as investors have priced (95% chance) in a rate cut in Sep'25 meet. Nikkei, gained the most led by rally in real estate and banking stocks. Sensex inched up with news of GST rationalisation which lifted investor sentiments. It is trading higher today, in line with Asian stocks.

Fig 1 – Stock markets

	03-09-2025	04-09-2025	Change, %
Dow Jones	45,271	45,621	0.8
S & P 500	6,448	6,502	0.8
FTSE	9,178	9,217	0.4
Nikkei	41,939	42,580	1.5
Hang Seng	25,343	25,059	(1.1)
Shanghai Comp	3,814	3,766	(1.3)
Sensex	80,568	80,718	0.2
Nifty	24,715	24,734	0.1

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other currencies closed lower. DXY rose by 0.2%, supported by rise in equity markets. Macro data showing improved productivity and lower labour cost also helped. INR fell by 0.1%, even as oil prices remain weak. It is trading even lower today, while other currencies are trading mixed.

Fig 2 – Currencies

	03-09-2025	04-09-2025	Change, %
EUR/USD (1 EUR / USD)	1.1662	1.1649	(0.1)
GBP/USD (1 GBP / USD)	1.3444	1.3434	(0.1)
USD/JPY (JPY / 1 USD)	148.10	148.49	(0.3)
USD/INR (INR / 1 USD)	88.07	88.15	(0.1)
USD/CNY (CNY / 1 USD)	7.1421	7.1416	0
DXY Index	98.14	98.35	0.2

Source: Bloomberg, Bank of Baroda Research



- Except China, 10Y yields closed lower elsewhere. US 10Y yield fell the most tracking weak labour market data (jobless claims, private payrolls). Yields in UK and Japan have undergone correction, with some revival in demand. India's 10Y yield fell by 5bps, helped by continued decline in oil prices. It is trading further lower today at 6.48%, noting smaller than expected impact of GST rate cuts.

Fig 3 – Bond 10Y yield

	03-09-2025	04-09-2025	Change, bps
US	4.22	4.16	(6)
UK	4.75	4.72	(3)
Germany	2.74	2.72	(2)
Japan	1.63	1.60	(3)
China	1.75	1.76	1
India	6.54	6.49	(5)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	03-09-2025	04-09-2025	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	5.84	5.83	(1)
India OIS-2M	5.51	5.47	(4)
India OIS-9M	5.50	5.47	(3)
SONIA int rate benchmark	3.97	3.97	0
US SOFR	4.39	4.39	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-09-2025	04-09-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.0	2.9	(0.1)
Reverse Repo	1.7	0	(1.7)
Repo*	0	0	0

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

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 Sep and 2 Sep 2025

- Oil prices slid further, following news of surprise rise in US crude inventories.

Fig 7 – Commodities

	03-09-2025	04-09-2025	Change, %
Brent crude (US\$/bbl)	67.6	67.0	(0.9)
Gold (US\$/ Troy Ounce)	3,559.4	3,545.9	(0.4)
Copper (US\$/ MT)	9,908.6	9,830.8	(0.8)
Zinc (US\$/MT)	2,879.8	2,859.7	(0.7)
Aluminium (US\$/MT)	2,619.0	2,591.5	(1.1)

Source: Bloomberg, Bank of Baroda Research



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