

**MORNING MOCHA**

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 ECONOMIST  
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In his first hearing since the new President took office, US Fed Chair Powell in his remarks at the Senate reiterated there is no rush for rate cuts. He stated the focus remains on lowering down inflation and overall the economy remains strong. He further noted that the Fed is attentive to the risk of the dual mandate that is maximum employment and stable inflation. Furthermore, the policy is 'well positioned to deal with the risk and uncertainties'. With this, investors have lowered down their projection with only one rate cut in the second half. The testimony comes ahead of the key CPI print scheduled to release later today which might offer more guidance on Fed's future rate path.

- Global indices closed mixed. Investors monitored comments by Fed Chair Powell in his testimony as he signalled of a patient path for rate cuts. Following global cues, Sensex continued its downward trajectory and ended lower by 1.3% with sharp losses noted in real estate and cap good stocks. It is trading further lower today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	10-02-2025	11-02-2025	Change, %
Dow Jones	44,470	44,594	0.3
S & P 500	6,066	6,069	0
FTSE	8,768	8,777	0.1
Nikkei	38,787	38,801	0
Hang Seng	21,522	21,295	(1.1)
Shanghai Comp	3,322	3,318	(0.1)
Sensex	77,312	76,294	(1.3)
Nifty	23,382	23,072	(1.3)

Source: Bloomberg, Bank of Baroda Research Note: Japanese markets were shut on 11.2.2024

- Barring JPY (closed) and CNY (flat), other global currencies appreciated against the US\$. DXY fell by (-) 0.3%. INR gained the most. GBP and EUR also strengthened, supported by higher yields. INR rose by 0.7%-strongest gain since Nov'22. News reports indicate that RBI intervention helped this rally. It is trading even higher today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	10-02-2025	11-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0307	1.0361	0.5
GBP/USD (1 GBP / USD)	1.2368	1.2446	0.6
USD/JPY (JPY / 1 USD)	151.41	152.00	(0.4)
USD/INR (INR / 1 USD)	87.48	86.83	0.7
USD/CNY (CNY / 1 USD)	7.3050	7.3069	0

Source: Bloomberg, Bank of Baroda Research Note: Japanese markets were shut on 11.2.2024

- Except China and India, yields closed higher elsewhere. German 10Y yield rose the most, followed by UK and US. European Commission has confirmed that



retaliatory measured on US imports will be announced soon. This has revived concerns regarding inflation and growth in Europe. India's 10Y yield fell by 1bps and is trading flat today (6.70%), even as oil prices have inched up.

**Fig 3 – Bond 10Y yield**

	10-02-2025	11-02-2025	Change, bps
US	4.50	4.54	4
UK	4.46	4.51	5
Germany	2.36	2.43	7
Japan	1.30	1.32	1
China	1.63	1.63	(1)
India	6.71	6.70	(1)

Source: Bloomberg, Bank of Baroda Research Note: Japanese markets were shut on 11.2.2024

**Fig 4 – Short term rates**

	10-02-2025	11-02-2025	Change, bps
Tbill-91 days	6.41	6.40	(1)
Tbill-182 days	6.52	6.51	(1)
Tbill-364 days	6.52	6.54	2
G-Sec 2Y	6.61	6.62	0
India OIS-2M	6.49	6.52	3
India OIS-9M	6.35	6.36	0
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.35	4.35	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	10-02-2025	11-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(2.0)	(1.9)	0.1
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	07-02-2025	10-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(6.8)	(474.6)	(467.8)
Debt	47.3	(212.3)	(259.5)
Equity	(54.0)	(262.3)	(208.2)
Mutual funds (Rs cr)	(3,114.6)	(6,303.5)	(3,188.9)
Debt	(4,360.3)	(6,045.9)	(1,685.6)
Equity	1,245.7	(257.6)	(1,503.3)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 06 Feb and 07 Feb 2025

- Oil prices rose further, due to renewed geo-political tensions in the Middle East.

**Fig 7 – Commodities**

	10-02-2025	11-02-2025	Change, %
Brent crude (US\$/bbl)	75.9	77.0	1.5
Gold (US\$/ Troy Ounce)	2,908.3	2,897.9	(0.4)
Copper (US\$/ MT)	9,330.0	9,239.2	(1.0)
Zinc (US\$/MT)	2,797.4	2,772.0	(0.9)
Aluminium (US\$/MT)	2,658.5	2,644.0	(0.5)

Source: Bloomberg, Bank of Baroda Research



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