

## MORNING MOCHA

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Hotter than expected US inflation has underscored Fed Chair's recent testimony on being 'patient with rate cuts'. This has dashed rate cut expectation to only one cut in H2CY25. US CPI surged to a near 1.5 year high to 3% with core inflation at 3.3% in Jan'25, with seasonality as one of the major factor. On the domestic front, CPI moderated down to its lowest level since Aug'24 to 4.3% in Jan'25 (5.2% in Dec'24). This was supported by correction in food inflation which was down by 6% in Jan'25 (8.4% in Dec'24). Despite this moderation, there are some upside risk emanating due to global uncertainty on currency, liquidity and monetary policy. On the growth front, IIP moderated down due to sluggish growth in manufacturing sector.

- Apart from US and domestic indices, other global indices closed higher. Investors monitored US inflation which dimmed hopes of any possible rate cuts in the coming months. FTSE continued to climb higher for the 3<sup>rd</sup> straight session ahead of the key GDP estimates. Sensex ended in red with losses in real estate stocks. However, it is trading higher today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	11-02-2025	12-02-2025	Change, %
Dow Jones	44,594	44,369	(0.5)
S & P 500	6,069	6,052	(0.3)
FTSE	8,777	8,807	0.3
Nikkei	38,801	38,964	0.4
Hang Seng	21,295	21,858	2.6
Shanghai Comp	3,318	3,346	0.9
Sensex	76,294	76,171	(0.2)
Nifty	23,072	23,045	(0.1)

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

- Barring EUR (higher), other global currencies closed flat/lower against the US\$. DXY remained unchanged (0%). EUR strengthened as yields inched up and investors await retaliatory measures by EU against US tariffs. INR declined by 0.1% even as oil prices fell. However, it is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	11-02-2025	12-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0361	1.0383	0.2
GBP/USD (1 GBP / USD)	1.2446	1.2446	0
USD/JPY (JPY / 1 USD)	152.49	154.42	(1.2)
USD/INR (INR / 1 USD)	86.83	86.89	(0.1)
USD/CNY (CNY / 1 USD)	7.3069	7.3069	0

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



- Except India (flat), yields rose sharply elsewhere. US 10Y yield jumped the most (9bps), followed by Germany and UK 10Y yields. Upside surprise in US CPI for Jan'25 has led to investors dialling back on US Fed rate cut expectations. India's 10Y yield closed flat as cooling inflation has improved bond demand. It is trading at the same level today, also supported by lower oil prices.

**Fig 3 – Bond 10Y yield**

	11-02-2025	12-02-2025	Change, bps
US	4.54	4.62	9
UK	4.51	4.54	4
Germany	2.43	2.48	5
Japan	1.32	1.34	3
China	1.63	1.63	1
India	6.70	6.70	0

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

**Fig 4 – Short term rates**

	11-02-2025	12-02-2025	Change, bps
Tbill-91 days	6.40	6.44	4
Tbill-182 days	6.51	6.55	4
Tbill-364 days	6.54	6.54	0
G-Sec 2Y	6.62	6.62	0
India OIS-2M	6.52	6.52	0
India OIS-9M	6.36	6.35	0
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.35	4.34	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	11-02-2025	12-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.9)	2.1	(0.2)
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	10-02-2025	11-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(474.6)	(768.7)	(294.2)
Debt	(212.3)	(298.1)	(85.8)
Equity	(262.3)	(470.7)	(208.4)
Mutual funds (Rs cr)	(6,303.5)	(141.6)	6,161.9
Debt	(6,045.9)	(887.9)	5,158.1
Equity	(257.6)	746.2	1,003.9

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 07 Feb and 10 Feb 2025

- Oil prices fell, as investors monitor talks between US and Russia.

**Fig 7 – Commodities**

	11-02-2025	12-02-2025	Change, %
Brent crude (US\$/bbl)	77.0	75.2	(2.4)
Gold (US\$/ Troy Ounce)	2,897.9	2,904.0	0.2
Copper (US\$/ MT)	9,239.2	9,344.3	1.1
Zinc (US\$/MT)	2,772.0	2,815.5	1.6
Aluminium (US\$/MT)	2,644.0	2,621.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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