

MORNING MOCHA

06 February 2025

 ECONOMIST
Aditi Gupta

Global markets continued to track evolving dynamics of US policies. With the tariff war likely in check for the time being, focus shifted to US economic data. Global composite PMI decelerated to a 12-month low, led by a slowdown in services activity, even as manufacturing sector showed signs of a rebound. In the US, while private payrolls (ADP) rose, ISM services PMI edged down. Federal Reserve Vice Chair suggested keeping rates at current levels due to uncertainty over impact of government policies. In contrast, BoJ's Board member sees policy rates increasing to 1% from 0.5% currently, due to a build-up in inflationary pressures. In India, services PMI stood at 56.5 in Jan'25 compared with 59.3 in Dec'24, remaining steadily above the historical average. While higher competition impinged on growth prospects, this was offset by an uptick in international orders.

- Global indices closed mixed. Investors remained cautious tracking ongoing developments around global tariffs and lacklustre corporate earnings. US stocks ended higher, while Asian stocks (barring Nikkei) were impacted by China's retaliatory tariff response. Sensex edged down on account of fall in real estate stocks. It is trading lower today, while Asian stocks are trading higher.

Fig 1 – Stock markets

	04-02-2025	05-02-2025	Change, %
Dow Jones	44,556	44,873	0.7
S & P 500	6,038	6,061	0.4
FTSE	8,571	8,623	0.6
Nikkei	38,798	38,831	0.1
Hang Seng	20,790	20,597	(0.9)
Shanghai Comp	3,251	3,229	(0.6)
Sensex	78,584	78,271	(0.4)
Nifty	23,739	23,696	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell by 0.4% tracking a dip in US treasury yields and mixed macro data. JPY rose, supported by hawkish comments from BoJ's Board member. INR depreciated by 0.4% to a fresh record low. It is trading further weaker today, while Asian currencies are trading higher.

Fig 2 – Currencies

	04-02-2025	05-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0379	1.0403	0.2
GBP/USD (1 GBP / USD)	1.2480	1.2505	0.2
USD/JPY (JPY / 1 USD)	154.34	152.61	1.1
USD/INR (INR / 1 USD)	87.08	87.46	(0.4)
USD/CNY (CNY / 1 USD)	7.2446	7.2721	(0.4)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (tad higher), global yields closed lower. US 10Y yield fell sharply as ISM services PMI moderated. UK's 10Y yield also fell at a similar pace as a 25bps rate cut by BoE has been priced in. Japan's 10Y yield was impacted by expectations of faster pace of rate hikes as pointed by a BoJ Board member. India's 10Y fell marginally, and is trading further lower at 6.65% today.

Fig 3 – Bond 10Y yield

	04-02-2025	05-02-2025	Change, bps
US	4.51	4.42	(9)
UK	4.52	4.44	(9)
Germany	2.40	2.37	(3)
Japan	1.28	1.29	1
China	1.63	1.62	(1)
India	6.67	6.66	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-02-2025	05-02-2025	Change, bps
Tbill-91 days	6.46	6.46	0
Tbill-182 days	6.59	6.57	(2)
Tbill-364 days	6.59	6.53	(6)
G-Sec 2Y	6.57	6.56	(1)
India OIS-2M	6.55	6.53	(2)
India OIS-9M	6.31	6.31	0
SONIA int rate benchmark	4.70	4.70	0
US SOFR	4.35	4.33	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-02-2025	05-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.3)	(0.5)	(0.2)
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-02-2025	04-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(196.5)	376.3	572.8
Debt	219.9	258.1	38.2
Equity	(416.5)	118.2	534.6
Mutual funds (Rs cr)	808.3	(2,393.8)	(3,202.0)
Debt	39.3	(3,901.5)	(3,940.8)
Equity	769.0	1,507.8	738.8

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 01 Feb and 03 Feb 2025

- Oil prices softened amidst large build-up in US crude inventories.

Fig 7 – Commodities

	04-02-2025	05-02-2025	Change, %
Brent crude (US\$/bbl)	76.2	74.6	(2.1)
Gold (US\$/ Troy Ounce)	2,842.7	2,867.2	0.9
Copper (US\$/ MT)	9,024.7	9,114.5	1.0
Zinc (US\$/MT)	2,754.9	2,726.4	(1.0)
Aluminium (US\$/MT)	2,637.5	2,616.0	(0.8)

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

+91 22 6698 5143

chief.economist@bankofbaroda.com