

MORNING MOCHA

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 ECONOMIST
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The risk-off sentiments continued to dominate global markets. US President spoke of imposing 25% tariff on sectors such as auto, pharma and semi-conductors beginning on 2 Apr 2025. However, he hinted at opening the doors of conversation with China. Apart from the tariff crescendo, lacklustre corporate earnings also impacted traders' sentiments. On macro front, US home sales data showed some softening. In UK, CPI rose more than expected thus, traders have trimmed down their expectation of rate cut. In other news, Fed minutes hinted at cautious approach amid policy uncertainty. Fed officials (Vice Chair and Atlanta Fed President) said in their recent commentaries of being watchful of future economic policies. On domestic front, RBI's state of the economy report nowcast GDP at 6.6% for Q4FY25.

- Global markets ended mixed. US markets closed higher as investors assessed Fed minutes. S&P 500 rose by 0.2% to end at a record high. Barring China, other Asian stocks ended in red. A tech rally driven by optimism over AI continued to push Chinese stocks higher. On the other hand, Sensex ended marginally weaker, as losses in tech stocks offset gains in other sub-indices. It is trading further weaker today, in line with other Asian markets.

Fig 1 – Stock markets

	18-02-2025	19-02-2025	Change, %
Dow Jones	44,556	44,628	0.2
S & P 500	6,130	6,144	0.2
FTSE	8,767	8,713	(0.6)
Nikkei	39,270	39,165	(0.3)
Hang Seng	22,977	22,944	(0.1)
Shanghai Comp	3,324	3,352	0.8
Sensex	75,967	75,939	0
Nifty	22,945	22,933	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated broadly. Both JPY and DXY rose on safe-haven demand as investors assessed the impact of President Trump's latest tariff plans. INR depreciated by 0.1% amidst persistent FPI outflows. However, it is trading stronger today, in line with its Asian peers.

Fig 2 – Currencies

	18-02-2025	19-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0446	1.0423	(0.2)
GBP/USD (1 GBP / USD)	1.2613	1.2586	(0.2)
USD/JPY (JPY / 1 USD)	152.06	151.47	0.4
USD/INR (INR / 1 USD)	86.88	86.95	(0.1)
USD/CNY (CNY / 1 USD)	7.2754	7.2788	0
DXY Index	107.05	107.17	0.1

Source: Bloomberg, Bank of Baroda Research| Note: INR was closed on 19 Feb 2025. (-) indicates depreciation



- Germany's 10Y yield rose significantly as ECB official spoke of a cautious wait and watch approach. Even UK's 10Y yield stiffened led by hotter than expected CPI data which raised doubt about the quantum of monetary easing, going ahead. China's yield softened ahead of policy decision where rates were maintained. India's 10Y inched lower and is trading at 6.68% today.

Fig 3 – Bond 10Y yield

	18-02-2025	19-02-2025	Change, bps
US	4.55	4.53	(2)
UK	4.56	4.61	5
Germany	2.49	2.56	6
Japan	1.43	1.44	1
China	1.72	1.69	(3)
India	6.69	6.69	(1)

Source: Bloomberg, Bank of Baroda Research| Note: India's 10Y trading was closed on 19 Feb 2025

Fig 4 – Short term rates

	18-02-2025	19-02-2025	Change, bps
Tbill-91 days	6.44	6.44	0
Tbill-182 days	6.55	6.55	0
Tbill-364 days	6.54	6.54	0
G-Sec 2Y	6.61	6.62	1
India OIS-2M	6.50	6.50	0
India OIS-9M	6.30	6.30	0
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.33	4.33	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-02-2025	18-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.8)	(1.7)	0.1
Reverse Repo	0	0	0
Repo*	1.3	1.8	0.5

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

Fig 6 – Capital market flows

	14-02-2025	17-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(793.4)	(765.7)	27.7
Debt	(540.6)	(187.5)	353.2
Equity	(252.7)	(578.2)	(325.5)
Mutual funds (Rs cr)	3,951.8	908.9	(3,042.9)
Debt	(1,313.1)	(1,231.1)	82.0
Equity	5,264.9	2,140.0	(3,124.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 13 Feb and 14 Feb 2025

- Oil prices rose tracking ongoing negotiation between Ukraine and Russia.

Fig 7 – Commodities

	18-02-2025	19-02-2025	Change, %
Brent crude (US\$/bbl)	75.8	76.0	0.3
Gold (US\$/ Troy Ounce)	2936.0	2933.4	(0.1)
Copper (US\$/ MT)	9401.2	9425.9	0.3
Zinc (US\$/MT)	2843.4	2839.4	(0.1)
Aluminium (US\$/MT)	2668.5	2687.0	0.7

Source: Bloomberg, Bank of Baroda Research



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