

MORNING MOCHA

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ECONOMIST
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National election results of Germany posted no major surprise. A coalition government led by CDU/CSU parties is set to be formed. All eyes are now on fiscal reforms that may be announced. The “debt break” rule allows fiscal deficit to slip to only 0.35% of GDP. This may see some changes in order to boost infrastructure spending. Businesses however remain sceptical as to how much the economic situation will improve in the near term. Germany’s IFO business climate index was broadly steady at 85.2 in Feb’25 from 85.1 in Jan’25, with current situation index declining (85 versus 86) and expectations index noting an improvement. In Asia, Japan’s PPI for Jan’25 inched up to 3.1% from 2.9% in Dec’24, indicating continued upward price pressures.

- Global markets ended mixed. Investor confidence in the US economy turned shaky amidst subdued macro data, uncertainty on tariff war, and possibility of mass Federal government layoffs. Sensex continued to decline with IT and metal stocks taking the most beating. FPI continued to offload, adding to the pressure. However, it is trading higher today, other Asian stocks are trading lower.

Fig 1 – Stock markets

	21-02-2025	24-02-2025	Change, %
Dow Jones	43,428	43,461	0.1
S & P 500	6,013	5,983	(0.5)
FTSE	8,659	8,659	0
Nikkei	38,678	38,777	0.3
Hang Seng	23,478	23,342	(0.6)
Shanghai Comp	3,379	3,373	(0.2)
Sensex	75,311	74,454	(1.1)
Nifty	22,796	22,553	(1.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed against the dollar. JPY weakened given the growing speculation of rate hike and another Yen carry trade unwind. INR ended flat. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	21-02-2025	24-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0458	1.0468	0.1
GBP/USD (1 GBP / USD)	1.2632	1.2625	(0.1)
USD/JPY (JPY / 1 USD)	149.2700	149.7200	(0.3)
USD/INR (INR / 1 USD)	86.7125	86.7063	0
USD/CNY (CNY / 1 USD)	7.2523	7.2463	0.1
DXI Index	106.6120	106.5960	0

Source: Bloomberg, Bank of Baroda Research| Note: (-) indicates depreciation



- Global yields closed mixed. US 10Y yield was down by 3bps, as worries around US economic growth have resurfaced. Germany's 10Y yield inched up a tad (1bps) tracking election results and following anticipation regarding fiscal reforms. India's 10Y was unchanged at 6.70%, and is trading flat even today.

Fig 3 – Bond 10Y yield

	21-02-2025	24-02-2025	Change, bps
US	4.43	4.40	(3)
UK	4.57	4.56	(1)
Germany	2.47	2.48	1
Japan	1.43	1.43	0
China	1.76	1.80	4
India	6.71	6.70	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-02-2025	24-02-2025	Change, bps
Tbill-91 days	6.40	6.34	(6)
Tbill-182 days	6.51	6.53	2
Tbill-364 days	6.54	6.52	(2)
G-Sec 2Y	6.61	6.59	(2)
India OIS-2M	6.49	6.48	(1)
India OIS-9M	6.31	6.28	(3)
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.33	4.34	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-02-2025	24-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.9)	(1.9)	0
Reverse Repo	0	0	0
Repo*	1.2	2.2	1.0

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

Fig 6 – Capital market flows

	20-02-2025	21-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(520.8)	(461.4)	59.4
Debt	(116.2)	(65.4)	50.8
Equity	(404.6)	(396.0)	8.6
Mutual funds (Rs cr)	1,729.1	1,478.2	(250.9)
Debt	(51.4)	(1,147.7)	(1,096.3)
Equity	1,780.5	2,626.0	845.5

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 19 Feb and 20 Feb 2025

- Oil prices rose as US announces fresh sanctions on Iranian oil trade.

Fig 7 – Commodities

	21-02-2025	24-02-2025	Change, %
Brent crude (US\$/bbl)	74.4	74.8	0.5
Gold (US\$/ Troy Ounce)	2936.1	2951.7	0.5
Copper (US\$/ MT)	9518.8	9489.5	(0.3)
Zinc (US\$/MT)	2893.5	2811.1	(2.8)
Aluminium (US\$/MT)	2688.0	2655.5	(1.2)

Source: Bloomberg, Bank of Baroda Research



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