

MORNING MOCHA

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US data shows that new home sales in Jan'25 fell by (-) 10.5% (MoM basis) to 657k units (est.: 675k) from 734k units in Dec'24. Elevated mortgage rates and seasonal factors (extreme cold weather) impacted sales. The 30Y fixed mortgage rate averaged 6.96% in Jan'25 versus 6.72% in Dec'24. Since then it has come down to 6.85% in Feb'25 so far but still remains ~80bps higher than Sep'24 level. Risks of stagflation have thus increased and investors expect Fed to lower rates by 50bps in H2CY25, despite build up in inflationary expectations (consumer sentiment indices and tax cut proposal). Further, with tariffs on Canada and Mexico set to kick in from next week, and remarks of US President on tariffs on EU, global growth concerns have again resurfaced. In India, to improve credit flow to NBFCs, RBI has restored the risk weights attached to SCBs lending to NBFCs to 100% from 125% earlier.

- Global indices ended mixed. Investors monitored comments by US President on tariffs. S&P 500 ended flat ahead of the corporate results from AI stocks. Hang Seng surged with gains in consumer and tech stocks, given the budget announcement of major allocation towards AI research. Sensex rebounded and is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	25-02-2025	26-02-2025	Change, %
Dow Jones	43,621	43,433	(0.4)
S & P 500	5,955	5,956	0
FTSE	8,669	8,731	0.7
Nikkei	38,238	38,142	(0.2)
Hang Seng	23,034	23,788	3.3
Shanghai Comp	3,346	3,380	1.0
Sensex	74,454	74,602	0.2
Nifty	22,553	22,548	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26.02.2025

- Barring GBP (higher) and JPY (flat), other global currencies ended lower. DXY strengthened amidst news report of US\$ 4.5tn tax cut proposal and ahead of the key PCE data. INR depreciated amidst persistent FII outflows. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	25-02-2025	26-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0514	1.0485	(0.3)
GBP/USD (1 GBP / USD)	1.2666	1.2676	0.1
USD/JPY (JPY / 1 USD)	149.0300	149.1000	0
USD/INR (INR / 1 USD)	86.7063	87.2025	(0.6)
USD/CNY (CNY / 1 USD)	7.2510	7.2578	(0.1)
DXY Index	106.3080	106.4160	0.1

Source: Bloomberg, Bank of Baroda Research| Note: (-) indicates depreciation; Markets in India were closed on 26.02.2025



- Global yields closed lower. US 10Y yield was down the most by 4bps, as investors expect Fed to lower rates in H2CY25 despite inflationary concerns. Germany's 10Y yield also fell by 3bps over concerns of weak growth. Indian markets were closed, but have opened today a tad lower at 6.70%, tracking global cues and decline in oil prices.

Fig 3 – Bond 10Y yield

	25-02-2025	26-02-2025	Change, bps
US	4.29	4.26	(4)
UK	4.51	4.50	(1)
Germany	2.46	2.43	(3)
Japan	1.37	1.37	(1)
China	1.78	1.77	(1)
India	6.70	6.71	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26.02.2025

Fig 4 – Short term rates

	24-02-2025	25-02-2025	Change, bps
Tbill-91 days	6.34	6.33	(1)
Tbill-182 days	6.53	6.52	(1)
Tbill-364 days	6.52	6.52	0
G-Sec 2Y	6.59	6.57	(3)
India OIS-2M	6.48	6.46	(2)
India OIS-9M	6.28	6.27	(1)
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.34	4.33	(1)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26.02.2025

Fig 5 – Liquidity

Rs tn	24-02-2025	25-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.9)	(1.9)	0
Reverse Repo	0	0	0
Repo*	2.2	2.2	0

Source: RBI, Bank of Baroda Research, *Includes LTRO| Note: Markets in India were closed on 26.02.2025

Fig 6 – Capital market flows

	21-02-2025	24-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(461.4)	(533.1)	(71.7)
Debt	(65.4)	126.6	192.0
Equity	(396.0)	(659.7)	(263.7)
Mutual funds (Rs cr)	1,478.2	(1,944.0)	(3,422.2)
Debt	(1,147.7)	(4,422.2)	(3,274.4)
Equity	2,626.0	2,478.2	(147.8)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 20 Feb and 21 Feb 2025

- Oil prices fell as global growth outlook, led by US and Germany, weakens.

Fig 7 – Commodities

	25-02-2025	26-02-2025	Change, %
Brent crude (US\$/bbl)	73.0	72.5	(0.7)
Gold (US\$/ Troy Ounce)	2915.0	2916.4	0
Copper (US\$/ MT)	9363.9	9448.3	0.9
Zinc (US\$/MT)	2771.8	2777.4	0.2
Aluminium (US\$/MT)	2638.5	2632.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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