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Global trade war heated up with both Canada and China imposing retaliatory tariffs on US imports. US President announced reciprocal tariffs on several countries including India which will take effect from 2 April 2025. With escalation in tariff antics, sharp volatility is likely to be visible across asset classes. This will also have implications for global monetary policy. Recent indicators in the US have pointed to a slowdown in growth impulses, along with an uptick in inflation expectations. As a result, expectations of more rate cuts have increased. Separately, China kept its annual growth target for 2025 unchanged at 5%, at its annual NPC meeting. Fiscal support was scaled up to invigorate growth and consumption, amidst US tariff threats. In Japan, BoJ Deputy Governor hinted at more rate hikes while expressing confidence in domestic growth and inflation outlook.

- Global markets broadly ended lower amidst escalated tariff fears. China retaliated with 10-15% additional tariff on a few US imports from 10 Mar. Dow Jones fell the most. Stocks in China were supported eyeing its annual legislative session where growth target of 5% has been set for CY25. Sensex fell by 0.1%, led by auto stocks. It is trading higher today; Asian stocks are trading mixed.

Fig 1 – Stock markets

	03-03-2025	04-03-2025	Change, %
Dow Jones	43,191	42,521	(1.6)
S & P 500	5,850	5,778	(1.2)
FTSE	8,871	8,759	(1.3)
Nikkei	37,785	37,331	(1.2)
Hang Seng	23,006	22,942	(0.3)
Shanghai Comp	3,317	3,324	0.2
Sensex	73,086	72,990	(0.1)
Nifty	22,119	22,083	(0.2)

Source: Bloomberg, Bank of Baroda Research

- DXY declined further by 0.9% as macro indicators pointed to a slowdown in US growth. Other currencies gained. EUR rose the most by 1.3% as hopes of increased spending in Germany boosted growth prospects. INR appreciated marginally. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	03-03-2025	04-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0487	1.0626	1.3
GBP/USD (1 GBP / USD)	1.2701	1.2795	0.7
USD/JPY (JPY / 1 USD)	149.50	149.79	(0.2)
USD/INR (INR / 1 USD)	87.36	87.27	0.1
USD/CNY (CNY / 1 USD)	7.2876	7.2639	0.3
DXY Index	106.75	105.74	(0.9)

Source: Bloomberg, Bank of Baroda Research | Note: Figures in brackets indicate depreciation against the dollar



- US 10Y yield stiffened as tariff fears stoked inflationary concerns. New York Fed President also iterated the same. UK's 10Y yield was largely capped as BRC shop price index (proxy of retail sales) softened. India's 10Y yield inched up a tad; as RBI measures are largely keeping yields range bound. It is trading lower at 6.74% today.

Fig 3 – Bond 10Y yield

	03-03-2025	04-03-2025	Change, bps
US	4.16	4.24	9
UK	4.56	4.53	(2)
Germany	2.49	2.50	0
Japan	1.41	1.43	1
China	1.76	1.76	0
India	6.74	6.75	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	03-03-2025	04-03-2025	Change, bps
Tbill-91 days	6.43	6.47	4
Tbill-182 days	6.57	6.57	0
Tbill-364 days	6.54	6.52	(2)
G-Sec 2Y	6.59	6.57	(2)
India OIS-2M	6.45	6.44	(1)
India OIS-9M	6.26	6.25	(1)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.39	4.33	(6)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-03-2025	04-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.1)	(0.2)	0.9
Reverse Repo	0	0	0
Repo*	2.2	2.2	0

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

Fig 6 – Capital market flows

	28-02-2025	03-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	27.9	(101.1)	(129.0)
Debt	1,403.9	432.7	(971.1)
Equity	(1,376.0)	(533.9)	842.1
Mutual funds (Rs cr)	2,286.9	(3,398.5)	(5,685.5)
Debt	(3,395.6)	(5,444.4)	(2,048.7)
Equity	5,682.6	2,045.8	(3,636.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 24 Feb and 25 Feb 2025

- Oil prices fell to a 6-month low on higher OPEC+ output and growth concerns.

Fig 7 – Commodities

	03-03-2025	04-03-2025	Change, %
Brent crude (US\$/bbl)	71.6	71.0	(0.8)
Gold (US\$/ Troy Ounce)	2892.7	2917.9	0.9
Copper (US\$/ MT)	9394.3	9328.4	(0.7)
Zinc (US\$/MT)	2810.8	2779.5	(1.1)
Aluminium (US\$/MT)	2611.0	2616.5	0.2

Source: Bloomberg, Bank of Baroda Research



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