

MORNING MOCHA

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ECONOMIST

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US inflation cooled down to 2.8% (4-month low) in Feb'25 against an increase of 3% in Jan'25. This was largely led by lower aviation and gasoline prices amidst weaker demand. Core inflation too moderated to 3.1% (lowest in over 4-years) in Feb'25 against 3.3% increase in Jan'25. Slower than expected inflation has reinforced expectations of Fed rate cut (pricing in 2-cuts this year). Separately, Bank of Canada reduced rates by 25bps to 2.75% noting the expected economic slowdown given the 'heightened trade tensions and tariffs imposed by the US'. In India, CPI inflation softened to 3.6% in Feb'25 (4.3% in Jan'25) and industrial production accelerated to 5% in Jan'25.

- Global equity indices ended mixed. Investors monitored cooler than expected US CPI data and the growing developments surrounding tariffs and retaliatory measures. Sensex ended in red with losses in IT and real estate stocks. However, it is trading higher today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	11-03-2025	12-03-2025	Change, %
Dow Jones	41,433	41,351	(0.2)
S & P 500	5,572	5,599	0.5
FTSE	8,496	8,541	0.5
Nikkei	36,793	36,819	0.1
Hang Seng	23,782	23,600	(0.8)
Shanghai Comp	3,380	3,372	(0.2)
Sensex	74,102	74,030	(0.1)
Nifty	22,498	22,471	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except GBP and INR, other global currencies ended lower. DXY rose by 0.2%, supported by higher bond yields. Market volatility remains significantly high amidst Trump administration's tariff plans. Softer than expected US inflation print for Feb'25 also did not quell safe haven demand. INR ended flat, but is trading slightly stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	11-03-2025	12-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0919	1.0888	(0.3)
GBP/USD (1 GBP / USD)	1.2951	1.2963	0.1
USD/JPY (JPY / 1 USD)	147.78	148.25	(0.3)
USD/INR (INR / 1 USD)	87.21	87.21	0
USD/CNY (CNY / 1 USD)	7.2302	7.2379	(0.1)
DXY Index	103.42	103.61	0.2

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

- Global yields closed mixed. 10Y yields in UK and US rose the most, as investors deal with uncertainty around US' tariff measures and renewed focus



on European imports. Further BoE is expected to keep rates on hold next week, amidst rising inflation. India's 10Y yield eased a tad, even as oil prices inched up. It is trading at the same level (6.68%) even today.

Fig 3 – Bond 10Y yield

	11-03-2025	12-03-2025	Change, bps
US	4.28	4.31	3
UK	4.67	4.72	5
Germany	2.90	2.88	(2)
Japan	1.52	1.52	1
China	1.95	1.85	(9)
India	6.70	6.68	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-03-2025	12-03-2025	Change, bps
Tbill-91 days	6.47	6.48	1
Tbill-182 days	6.56	6.59	3
Tbill-364 days	6.46	6.56	10
G-Sec 2Y	6.56	6.54	(2)
India OIS-2M	6.36	6.34	(2)
India OIS-9M	6.18	6.14	(4)
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.33	4.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	11-03-2025	12-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.4)	(1.4)	0
Reverse Repo	0.1	0.1	0
Repo*	1.8	1.8	0

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

Fig 6 – Capital market flows

	10-03-2025	11-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	2.4	210.5	208.1
Debt	59.5	226.4	166.9
Equity	(57.1)	(15.9)	41.2
Mutual funds (Rs cr)	(3,199.5)	(2,511.1)	688.4
Debt	(3,463.9)	(3,240.0)	223.9
Equity	264.4	728.9	464.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 6 Mar and 7 Mar 2025

- Oil prices rose, in line with other commodities, as trade war uncertainty remains.

Fig 7 – Commodities

	11-03-2025	12-03-2025	Change, %
Brent crude (US\$/bbl)	69.6	71.0	2.0
Gold (US\$/ Troy Ounce)	2915.9	2934.8	0.6
Copper (US\$/ MT)	9639.2	9751.6	1.2
Zinc (US\$/MT)	2883.5	2900.0	0.6
Aluminium (US\$/MT)	2703.0	2702.5	0

Source: Bloomberg, Bank of Baroda Research



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