

MORNING MOCHA

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US Fed held policy rate steady, as anticipated. The dot plot showed two rate cuts have been priced in by officials for CY25. Real GDP is projected to grow by 1.7%, lower than its earlier forecast of 2.1% for CY25 and core PCE is expected to be higher at 2.8% from 2.5% expected earlier. However, Fed Chair in his recent statement has downplayed growth concerns and has highlighted that inflationary impact of tariff is likely to be “transitory”, with no major bump expected in terms of de-anchoring of expectations. In China, benchmark lending rates have been kept at the prevailing rates, however officials hinted at timely monetary easing and liquidity injections. Amongst asset classes, the gold rally continued (US\$ 3,048/Troy ounce). On domestic front, RBI’s net Fx intervention in outstanding forwards position swelled to US\$ 77.5bn in Jan’25, partly attributable to the swap conducted for maintaining liquidity.

- Global stocks ended mixed. Markets in US ended higher following Fed’s projection of two more rate cuts this year. Nikkei declined tracking a fall in Japan’s industrial production. Sensex rose, led by gains in real estate and power stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	18-03-2025	19-03-2025	Change, %
Dow Jones	41,581	41,965	0.9
S & P 500	5,615	5,675	1.1
FTSE	8,705	8,707	0
Nikkei	37,845	37,752	(0.2)
Hang Seng	24,741	24,771	0.1
Shanghai Comp	3,430	3,426	(0.1)
Sensex	75,301	75,449	0.2
Nifty	22,834	22,908	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.2% after the Fed Chair downplayed the risk of softening of growth of the region. GBP was steady ahead of BoE’s policy decision, where status quo is expected. INR appreciated further. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	18-03-2025	19-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0945	1.0903	(0.4)
GBP/USD (1 GBP / USD)	1.3001	1.3003	0
USD/JPY (JPY / 1 USD)	149.27	148.69	0.4
USD/INR (INR / 1 USD)	86.57	86.44	0.1
USD/CNY (CNY / 1 USD)	7.2256	7.2294	(0.1)
DXY Index	103.24	103.43	0.2

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



- US 10Y yield fell the most by 4bps as Fed projections showed two rate cuts in CY25. 10Y yield in UK, Germany and China, traded in a thin range, in absence of fresh cues. Japan's 10Y yield inched up a tad ahead of US Fed policy meet, eyeing the interest rate differential between the two economies. India's 10Y yield fell marginally by 1bps and is trading at 6.65%, today.

Fig 3 – Bond 10Y yield

	18-03-2025	19-03-2025	Change, bps
US	4.28	4.24	(4)
UK	4.64	4.63	(1)
Germany	2.81	2.80	(1)
Japan	1.51	1.52	1
China	1.89	1.88	(1)
India	6.67	6.66	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	18-03-2025	19-03-2025	Change, bps
Tbill-91 days	6.56	6.48	(8)
Tbill-182 days	6.60	6.59	(1)
Tbill-364 days	6.56	6.53	(3)
G-Sec 2Y	6.54	6.53	(1)
India OIS-2M	6.33	6.33	0
India OIS-9M	6.12	6.11	(1)
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.32	4.31	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	18-03-2025	19-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(2.3)	(2.3)	0
Reverse Repo	0	0	0
Repo*	2.3	2.2	(0.1)

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

Fig 6 – Capital market flows

	17-03-2025	18-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(153.1)	217.6	370.7
Debt	274.0	135.6	(138.4)
Equity	(427.2)	82.0	509.1
Mutual funds (Rs cr)	(3,039.5)	2,632.0	5,671.6
Debt	(3,535.9)	(1,935.7)	1,600.2
Equity	496.3	4,567.7	4,071.4

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 13 Mar and 17 Mar 2025

- Oil prices rose on higher-than-expected drawdown in US inventories.

Fig 7 – Commodities

	18-03-2025	19-03-2025	Change, %
Brent crude (US\$/bbl)	70.6	70.8	0.3
Gold (US\$/ Troy Ounce)	3034.7	3047.8	0.4
Copper (US\$/ MT)	9852.8	9951.8	1.0
Zinc (US\$/MT)	2932.8	2891.2	(1.4)
Aluminium (US\$/MT)	2654.5	2671.0	0.6

Source: Bloomberg, Bank of Baroda Research



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