

MORNING MOCHA

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Trump administration has indicated that there might be some “flexibility” in terms of reciprocal tariffs imposed by the US. Hopes of talks between China and US Presidents on tariff situation has also has positive impact on US equity markets. In the UK, after BoE showed no hurry to cut rates aggressively, focus has now shifted to FM Reeves’ spring statement later this week. Government is expected to continue with its tax proposals and job cuts, in the wake of rising borrowings. Elsewhere, flash PMIs for Mar’25 show that economic activity contracted in Japan, while it improved in Australia. Japan’s manufacturing PMI is down to 46.5 (48.4 in Feb’25) and services PMI has fallen to 49.5 from 53.7 last month. Domestically, private data shows that share of premium real estate (>Rs 1.5cr) has risen to 17% in CY24, with tier 2&3 increasing their share, led by urbanization and improved infrastructure.

- Global markets ended mixed. US indices ended in green as President Trump hinted at some flexibility to the global tariffs. On the other hand, Hang Sang ended in red followed by losses in Shanghai Comp. Sensex continued to extend its gains supported by a reversal in buying from FIIs. Oil & gas stocks gained the most. It is trading higher today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	20-03-2025	21-03-2025	Change, %
Dow Jones	41,953	41,985	0.1
S & P 500	5,663	5,668	0.1
FTSE	8,702	8,647	(0.6)
Nikkei	37,752	37,677	(0.2)
Hang Seng	24,220	23,690	(2.2)
Shanghai Comp	3,409	3,365	(1.3)
Sensex	76,348	76,906	0.7
Nifty	23,191	23,350	0.7

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY, other global currencies ended lower. DXY rose as continued geopolitical tensions held demand for safe haven. GBP ended lower ahead of the crucial inflation report. INR appreciated despite higher oil prices. It is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	20-03-2025	21-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0851	1.0818	(0.3)
GBP/USD (1 GBP / USD)	1.2967	1.2919	(0.4)
USD/JPY (JPY / 1 USD)	148.69	149.32	(0.4)
USD/INR (INR / 1 USD)	86.37	85.97	0.5
USD/CNY (CNY / 1 USD)	7.2493	7.2518	0
DXY Index	103.85	104.09	0.2

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



- Except Germany and India, other 10Y yields inched up. UK's 10Y yield rose the most as data showed that UK government borrowed more than expected in Feb'25. Hawkish tone of BoE also impacted sentiments. In the US, investors await more information on Trump administration's reciprocal tariffs. India's 10Y yield fell by 1bps and is trading flat today.

Fig 3 – Bond 10Y yield

	20-03-2025	21-03-2025	Change, bps
US	4.24	4.25	1
UK	4.65	4.71	7
Germany	2.78	2.77	(1)
Japan	1.52	1.52	1
China	1.84	1.85	1
India	6.64	6.63	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-03-2025	21-03-2025	Change, bps
Tbill-91 days	6.47	6.47	0
Tbill-182 days	6.56	6.54	(2)
Tbill-364 days	6.50	6.48	(2)
G-Sec 2Y	6.50	6.48	(2)
India OIS-2M	6.34	6.33	(1)
India OIS-9M	6.10	6.11	1
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.29	4.29	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-03-2025	21-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(2.3)	(2.1)	0.2
Reverse Repo	0	0	0
Repo*	2.2	1.8	(0.4)

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

Fig 6 – Capital market flows

	19-03-2025	20-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	446.5	719.5	273.0
Debt	565.7	350.9	(214.8)
Equity	(119.2)	368.7	487.9
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 a tad, tracking news of US issuing fresh sanctions on Iran.

Fig 7 – Commodities

	20-03-2025	21-03-2025	Change, %
Brent crude (US\$/bbl)	72.0	72.2	0.2
Gold (US\$/ Troy Ounce)	3044.9	3022.2	(0.7)
Copper (US\$/ MT)	9885.4	9813.5	(0.7)
Zinc (US\$/MT)	2893.9	2909.5	0.5
Aluminium (US\$/MT)	2659.5	2622.5	(1.4)

Source: Bloomberg, Bank of Baroda Research



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