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Aditi Gupta

Bets of Fed rate cuts increased after US inflation and macro data. Core PCE inflation eased to 2.6% in Jan'25 (2.9% in Dec'24, YoY). Amidst uncertainty over President Trump's tariff policies, consumer spending declined, trade deficit inched up, flash services PMI slipped into contraction and consumers' inflation expectations inched up. China's official PMIs rose in Jan'25. While the manufacturing PMI rose to a 3-month high of 50.2 (from 49.1), non-manufacturing PMI was also higher at 50.4 versus 50.2 in Dec'24. In India, GDP growth bounced back to 6.2% in Q3 (5.4% in Q2FY25). Core sector output expanded by 4.6% in Jan'25, versus 4.2% in Jan'24. Investors will continue to monitor developments on US tariff stance, as the deadline for tariffs on Mexico and Canada approaches. US jobs data, ECB policy decision and China's NPC meeting also remain in focus.

- Global markets ended mixed. Tariff turmoil intensified as US Treasury Secretary urged Canada and Mexico to match US tariff hikes on China. US stocks were supported by better-than-expected financial results. Hang Seng fell the most amidst uncertainty over tariffs. Sensex also fell considerably, led by technology stocks. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	27-02-2025	28-02-2025	Change, %
Dow Jones	43,240	43,841	1.4
S & P 500	5,862	5,955	1.6
FTSE	8,756	8,810	0.6
Nikkei	38,256	37,156	(2.9)
Hang Seng	23,718	22,941	(3.3)
Shanghai Comp	3,388	3,321	(2.0)
Sensex	74,612	73,198	(1.9)
Nifty	22,545	22,125	(1.9)

Source: Bloomberg, Bank of Baroda Research

- Barring CNY, other global currencies depreciated. DXY rose tracking developments around US tariffs and Russia-Ukraine war. JPY depreciated by 0.5%, as inflation in Tokyo eased more than expected. INR fell by 0.3%. It is trading stronger today, in line with Asian peers.

Fig 2 – Currencies

	27-02-2025	28-02-2025	Change, %
EUR/USD (1 EUR / USD)	1.0398	1.0375	(0.2)
GBP/USD (1 GBP / USD)	1.2601	1.2577	(0.2)
USD/JPY (JPY / 1 USD)	149.81	150.63	(0.5)
USD/INR (INR / 1 USD)	87.20	87.51	(0.4)
USD/CNY (CNY / 1 USD)	7.2865	7.2784	0.1
DXY Index	107.24	107.61	0.3

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



- US 10Y yield softened as Atlanta Fed's GDP nowcast results showed softening of economic growth in the US. Frontloading of demand for sovereign securities is visible amidst looming deadline of US tariffs on a few countries (4 Mar 2025). India's 10Y inched up by 2bps as liquidity conditions remain tight. It is trading flat at 6.73% today.

Fig 3 – Bond 10Y yield

	27-02-2025	28-02-2025	Change, bps
US	4.26	4.21	(5)
UK	4.51	4.48	(3)
Germany	2.41	2.41	(1)
Japan	1.40	1.38	(2)
China	1.80	1.78	(2)
India	6.71	6.73	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-02-2025	28-02-2025	Change, bps
Tbill-91 days	6.43	6.47	4
Tbill-182 days	6.58	6.55	(3)
Tbill-364 days	6.54	6.53	(1)
G-Sec 2Y	6.57	6.58	1
India OIS-2M	6.47	6.46	0
India OIS-9M	6.27	6.27	0
SONIA int rate benchmark	4.45	4.45	0
US SOFR	4.33	4.36	3

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-02-2025	28-02-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.8)	(1.6)	0.2
Reverse Repo	0	0	0
Repo*	2.2	2.2	0

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

Fig 6 – Capital market flows

	25-02-2025	27-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(126.7)	718.7	845.3
Debt	199.1	590.3	391.2
Equity	(325.7)	128.4	454.1
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 softened as tariff fears weighed on global demand prospects.

Fig 7 – Commodities

	27-02-2025	28-02-2025	Change, %
Brent crude (US\$/bbl)	74.0	73.2	(1.2)
Gold (US\$/ Troy Ounce)	2877.5	2857.8	(0.7)
Copper (US\$/ MT)	9381.3	9338.1	(0.5)
Zinc (US\$/MT)	2777.8	2762.8	(0.5)
Aluminium (US\$/MT)	2632.5	2605.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com