

**MORNING MOCHA**

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Global markets found some reprieve as US tariffs on Canada and Mexico were delayed by another month. In response, Canada also postponed reciprocal tariffs on US. Separately, US jobless claims dipped 21,000 to 221,000 (est. 235,000). Focus now shifts to US jobs report due later in the day. Uncertainty over government policies is likely to weigh on the Fed, with Atlanta Fed President suggesting a prolonged pause until late spring or summer. Echoing similar views, the ECB hinted at a pause in future monetary easing, even as it reduced its policy rate by 25bps to 2.5%. In Japan as well, expectations of a pause in Mar'25 meeting have increased, with the next rate hike now expected in Q3 2025. China's export growth in Jan-Feb'25 was recorded at 2.3%, much lower than expected 5% increase. Imports contracted sharply by 8.4% (est. -1%), led by weak domestic consumption demand.

- Global markets ended mixed. FTSE was restrained as BoE officials hinted at restrictive policy amidst risks to inflation. Stocks in China were supported by Finance Minister's comments over ample fiscal tools. This has supported Hang Seng's rally, as well. Sensex inched up, led by metal stocks. It is trading lower today; Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	05-03-2025	06-03-2025	Change, %
Dow Jones	43,007	42,579	(1.0)
S & P 500	5,843	5,739	(1.8)
FTSE	8,756	8,683	(0.8)
Nikkei	37,418	37,705	0.8
Hang Seng	23,594	24,370	3.3
Shanghai Comp	3,342	3,381	1.2
Sensex	73,730	74,340	0.8
Nifty	22,337	22,545	0.9

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies broadly depreciated. JPY rose by 0.6% on safe-haven demand. EUR was marginally lower tracking ECB's rate cut and weak retail sales data. INR depreciated by 0.2%. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	05-03-2025	06-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0789	1.0785	0
GBP/USD (1 GBP / USD)	1.2895	1.2882	(0.1)
USD/JPY (JPY / 1 USD)	148.88	147.98	0.6
USD/INR (INR / 1 USD)	86.97	87.12	(0.2)
USD/CNY (CNY / 1 USD)	7.2369	7.2418	(0.1)
DXI Index	104.28	104.06	(0.2)

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



- Japan's 10Y yield rose to its highest since 11 Jun 2009, as investors are wary of the interest rate differential with the US. Germany's rally also continued as EU also favoured easing fiscal rules amongst other member nations. UK's 10Y yield exhibited some correction. India's 10Y yield was supported by RBI's liquidity measures. It is trading at 6.69% today.

**Fig 3 – Bond 10Y yield**

	05-03-2025	06-03-2025	Change, bps
US	4.28	4.28	0
UK	4.68	4.66	(2)
Germany	2.79	2.83	4
Japan	1.45	1.54	9
China	1.76	1.79	3
India	6.71	6.68	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	05-03-2025	06-03-2025	Change, bps
Tbill-91 days	6.48	6.46	(2)
Tbill-182 days	6.59	6.57	(2)
Tbill-364 days	6.55	6.53	(2)
G-Sec 2Y	6.56	6.53	(3)
India OIS-2M	6.41	6.39	(2)
India OIS-9M	6.22	6.21	(1)
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.33	4.34	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	05-03-2025	06-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.5)	(0.6)	(0.1)
Reverse Repo	0	0	0
Repo*	2.2	2.2	0

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

**Fig 6 – Capital market flows**

	04-03-2025	05-03-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(334.0)	(62.6)	271.5
Debt	70.7	154.4	83.7
Equity	(404.7)	(217.0)	187.7
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 hovered near a 6-month low, led by weak demand prospects.

**Fig 7 – Commodities**

	05-03-2025	06-03-2025	Change, %
Brent crude (US\$/bbl)	69.3	69.5	0.2
Gold (US\$/ Troy Ounce)	2919.4	2911.8	(0.3)
Copper (US\$/ MT)	9586.9	9747.8	1.7
Zinc (US\$/MT)	2847.0	2896.9	1.8
Aluminium (US\$/MT)	2658.5	2697.0	1.4

Source: Bloomberg, Bank of Baroda Research



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