

**MORNING MOCHA**

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Global markets reacted negatively to the new set of tariffs announced by the US, with a sharp sell-off visible in global equity and bonds market. In fact, equity markets witnessed the steepest single-day fall since the Covid-19 pandemic. Risk-off sentiment prevailed with investors fleeing to safe-haven assets such as JPY and gold. DXY nursed steep losses, as fears of a recession in the US have increased. This was also underscored by macro data, with US ISM services PMI falling to a 9-month low of 50.8 in Mar'25 (est. 53) from 53.5 in Feb'25. This also lends a degree of uncertainty to Fed's future rate path, with investors now expecting more rate cuts. BoJ Governor stated that US tariffs are likely to have a negative impact on Japan's growth. In India, the market reaction to the tariff announcement was largely muted, with the exclusion of pharma products being a big positive for India's exports.

- Global markets witnessed widespread sell-off. Fears of economic downturn led to a realignment of risk in favour of safer asset classes. US stocks fell the most amidst concerns of tightened financial conditions. Amongst Asian stocks, Nikkei fell sharply. In relative terms, Sensex losses were largely capped. It is trading lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	02-04-2025	03-04-2025	Change, %
Dow Jones	42,225	40,546	(4.0)
S & P 500	5,671	5,397	(4.8)
FTSE	8,608	8,475	(1.6)
Nikkei	35,726	34,736	(2.8)
Hang Seng	23,203	22,850	(1.5)
Shanghai Comp	3,350	3,342	(0.2)
Sensex	76,617	76,295	(0.4)
Nifty	23,332	23,250	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies appreciated. DXY fell 1.7% as sweeping tariff imposed by the US have reignited fears of a recession. Both EUR and JPY climbed to 6-month peaks against the dollar. INR also appreciated. It is trading further stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	02-04-2025	03-04-2025	Change, %
EUR/USD (1 EUR / USD)	1.0853	1.1052	1.8
GBP/USD (1 GBP / USD)	1.3007	1.3100	0.7
USD/JPY (JPY / 1 USD)	149.28	146.06	2.2
USD/INR (INR / 1 USD)	85.51	85.44	0.1
USD/CNY (CNY / 1 USD)	7.2677	7.2818	(0.2)
DXY Index	103.81	102.07	(1.7)

Source: Bloomberg, Bank of Baroda Research | Note: Brackets indicate depreciation against the dollar



- Except India, global yields witnessed a broad-based decline. UK's 10Y yield fell at the sharpest pace, followed by US and Japan. Risk off sentiments resulted in creating higher demand for sovereign asset classes. Muted data print in the US (ISM services PMI) also supported lower yields. India's 10Y yield traded cautiously ahead of RBI policy meet. It is trading at 6.49% today.

**Fig 3 – Bond 10Y yield**

	02-04-2025	03-04-2025	Change, bps
US	4.13	4.03	(10)
UK	4.64	4.52	(12)
Germany	2.72	2.65	(7)
Japan	1.47	1.37	(10)
China	1.79	1.72	(7)
India	6.48	6.50	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	02-04-2025	03-04-2025	Change, bps
Tbill-91 days	6.26	6.08	(18)
Tbill-182 days	6.27	6.23	(4)
Tbill-364 days	6.27	6.23	(4)
G-Sec 2Y	6.30	6.30	(1)
India OIS-2M	6.11	6.08	(3)
India OIS-9M	5.99	5.98	(2)
SONIA int rate benchmark	4.46	4.45	0
US SOFR	4.39	4.37	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	02-04-2025	03-04-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.9	2.2	0.3
Reverse Repo	0	0	0
Repo*	1.8	1.8	0

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

**Fig 6 – Capital market flows**

	28-03-2025	02-04-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(102.7)	16.4	119.0
Debt	637.7	140.2	(497.4)
Equity	(740.3)	(123.9)	616.5
Mutual funds (Rs cr)	(711.4)	4,081.6	4,793.0
Debt	(4,994.3)	49.1	5,043.4
Equity	4,282.9	4,032.5	(250.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 28 Mar and 01 Apr 2025

- Oil prices fell by 6.4% on demand concerns after US tariff announcement.

**Fig 7 – Commodities**

	02-04-2025	03-04-2025	Change, %
Brent crude (US\$/bbl)	75.0	70.1	(6.4)
Gold (US\$/ Troy Ounce)	3134.2	3115.3	(0.6)
Copper (US\$/ MT)	9653.7	9319.3	(3.5)
Zinc (US\$/MT)	2762.4	2701.0	(2.2)
Aluminium (US\$/MT)	2490.5	2448.0	(1.7)

Source: Bloomberg, Bank of Baroda Research



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