

MORNING MOCHA

09 April 2025

ECONOMIST

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As the timeline of new tariff draws closer, hopes of any possible concession on tariffs faded. The conflict between US and China escalated further after US imposed additional 50% tariff (earlier 54%) on China, taking the total tariffs to 104% on all Chinese goods. This was in response to the retaliatory 34% tariffs levy by China on US. As a result, oil prices dropped to 4-year low amidst growing concerns of subdued demand. As a counter measure to tariff, EU has proposed 25% tariff on US goods. Separately, New Zealand central bank has lowered rates by 25bps to 3.5% in order to manage the impact of tariffs. In India, investors will turn their focus towards RBI's monetary policy decision today. We expect a 25bps cut in repo rate as per our base case scenario in order to support growth as inflation remains benign.

- Barring US indices, other global markets recovered despite uncertainty on tariff front. US government officials disregarded news report of any possible reprieve or any delay on tariff imposition. Nikkei surged by 6% supported by gains in banking stocks. Sensex too rebounded with major sectoral indices ending in green. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	07-04-2025	08-04-2025	Change, %
Dow Jones	37,966	37,646	(0.8)
S & P 500	5,062	4,983	(1.6)
FTSE	7,702	7,911	2.7
Nikkei	31,137	33,013	6.0
Hang Seng	19,828	20,128	1.5
Shanghai Comp	3,097	3,146	1.6
Sensex	73,138	74,227	1.5
Nifty	22,162	22,536	1.7

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies appreciated against the US\$ and DXY fell 0.3%. Growth uncertainty in the US has increased further as tariffs on China are set to increase to 104%. JPY gained the most, supported by rise in bond yields and safe haven demand. INR fell by 0.5%, and is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	07-04-2025	08-04-2025	Change, %
EUR/USD (1 EUR / USD)	1.0912	1.0958	0.4
GBP/USD (1 GBP / USD)	1.2724	1.2765	0.3
USD/JPY (JPY / 1 USD)	147.84	146.27	1.1
USD/INR (INR / 1 USD)	85.84	86.25	(0.5)
USD/CNY (CNY / 1 USD)	7.3210	7.3389	(0.2)
DXY Index	103.26	102.96	(0.3)

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



- Global bond yields closed mixed. 10Y yields in Japan and US rose significantly. US treasury yield curve steepened the most since Feb'22 as 10Y yields rose due to weak demand in auction, and 2Y yield fell. In Japan, BoJ officials have indicated that policy might remain unchanged for a while. India's 10Y yield fell by 1bps, awaiting RBI decision. However, it is trading higher today at 6.51%.

Fig 3 – Bond 10Y yield

	07-04-2025	08-04-2025	Change, bps
US	4.18	4.29	11
UK	4.62	4.61	(1)
Germany	2.61	2.63	2
Japan	1.12	1.26	15
China	1.64	1.67	3
India	6.48	6.48	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-04-2025	08-04-2025	Change, bps
Tbill-91 days	6.06	6.06	0
Tbill-182 days	6.16	6.15	(1)
Tbill-364 days	6.20	6.17	(3)
G-Sec 2Y	6.26	6.25	(1)
India OIS-2M	6.03	6.03	0
India OIS-9M	5.89	5.89	0
SONIA int rate benchmark	4.46	4.46	0
US SOFR	4.35	4.33	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-04-2025	08-04-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.4	1.3	(0.1)
Reverse Repo	0	0	0
Repo*	0	0	0

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

Fig 6 – Capital market flows

	04-04-2025	07-04-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	(416.0)	(2,163.4)	(1,747.5)
Debt	(48.9)	(1,122.6)	(1,073.7)
Equity	(367.0)	(1,040.8)	(673.8)
Mutual funds (Rs cr)	9,105.8	2,020.0	(7,085.8)
Debt	9,782.3	3,805.0	(5,977.3)
Equity	(676.6)	(1,785.1)	(1,108.5)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 3 Apr and 4 Apr 2025

- Oil prices continue to decline, amidst recession fears in the US.

Fig 7 – Commodities

	07-04-2025	08-04-2025	Change, %
Brent crude (US\$/bbl)	64.2	62.8	(2.2)
Gold (US\$/ Troy Ounce)	2983.3	2983.3	0
Copper (US\$/ MT)	8693.7	8621.3	(0.8)
Zinc (US\$/MT)	2602.9	2550.9	(2.0)
Aluminium (US\$/MT)	2370.5	2349.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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