

MONTHLY MACRO-INSIGHTS

APRIL- 2025

Global Economy

What we cover this month?

❑ Will dollar continue the strength?

US Economy - Signs of Slowing Growth?

❑ India – Liquidity, Growth and Inflation

❑ RBI Rates and Liquidity

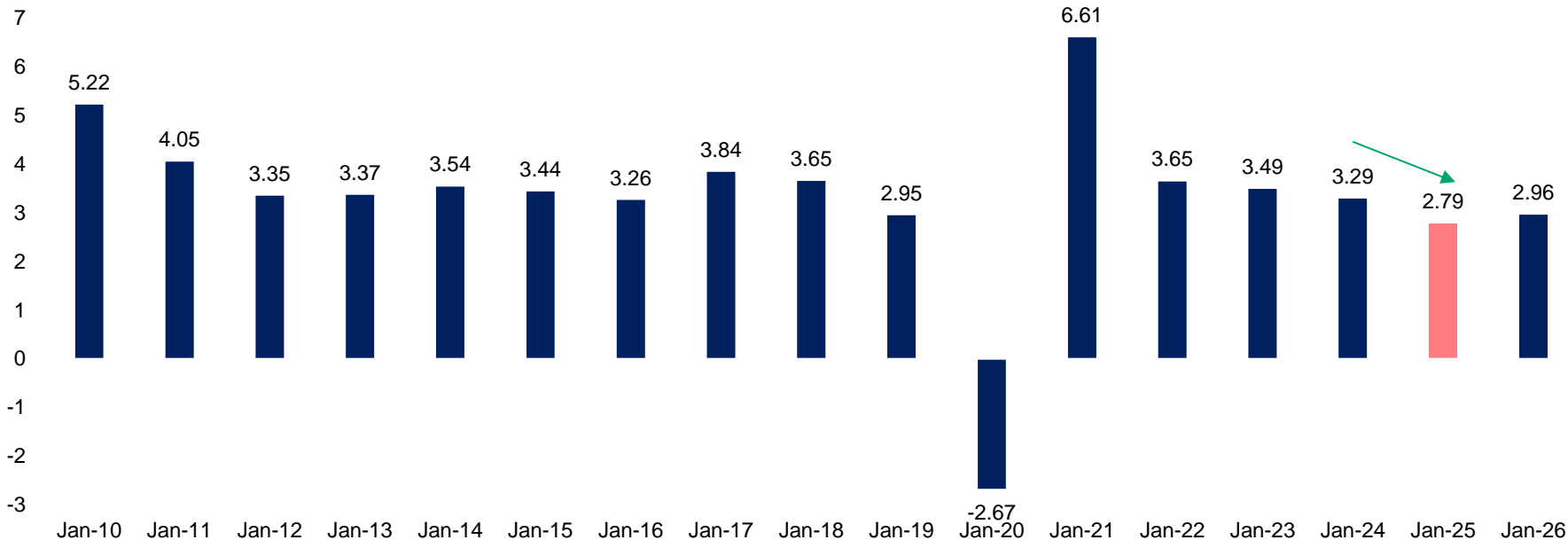
Outlook!

Key Events in Jan- April-2025

- ❑ RBI reduced the repo rate by cumulatively by 50bps to 6.00% from 6.5% in Feb-25 and April-25 policy.
- ❑ US tariffs threats looms global economy.
- ❑ US Fed meeting delivered a pause after the uncertainty around US inflation and US tariffs.
- ❑ RBI on cumulative basis infused ~11 trn through liquidity measures.
- ❑ USD/INR depreciated to a new low of 87.96 led by global headwinds.
- ❑ India's 10-year benchmark yield softened closer to 6.5% led by RBI's rate cutting cycle.
- ❑ India Budget – Growth focused while keeping fiscal consolidation in essence.
- ❑ India Inflation has softened further to 3.3% in March-25 led by declining food prices.

A Slowing World Economy!

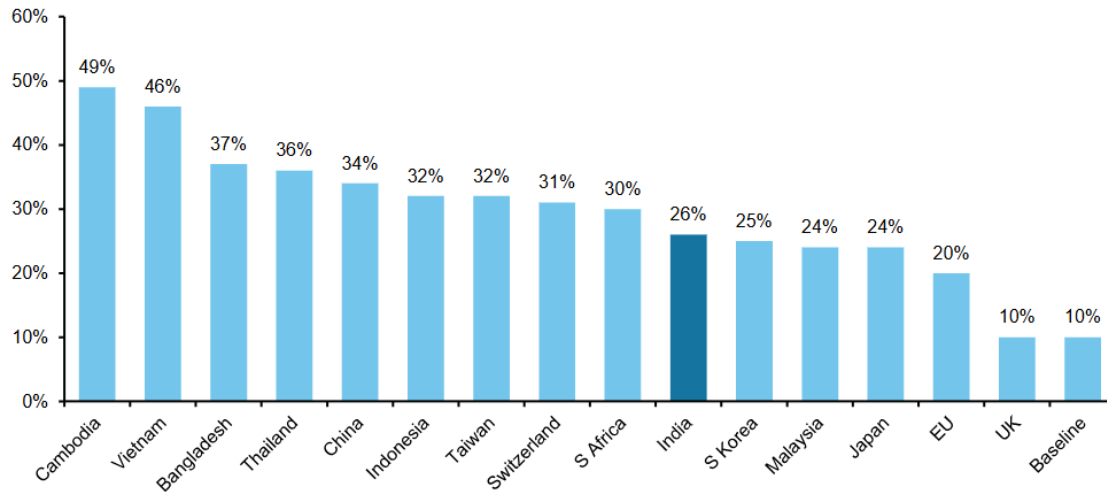
World GDP Projections - IMF



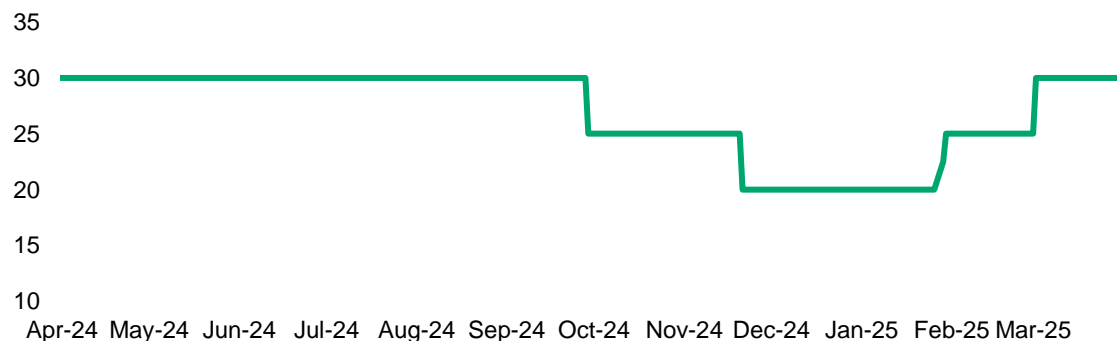
- Trade tensions and high levels of policy uncertainty are playing out in IMF's latest economic outlook.
- IMF has projected global growth to drop to 2.8% in 2025 much below the historical average of 3.7%.

Trade, Tariffs and Tact!

Tariffs on Major economies announced by US



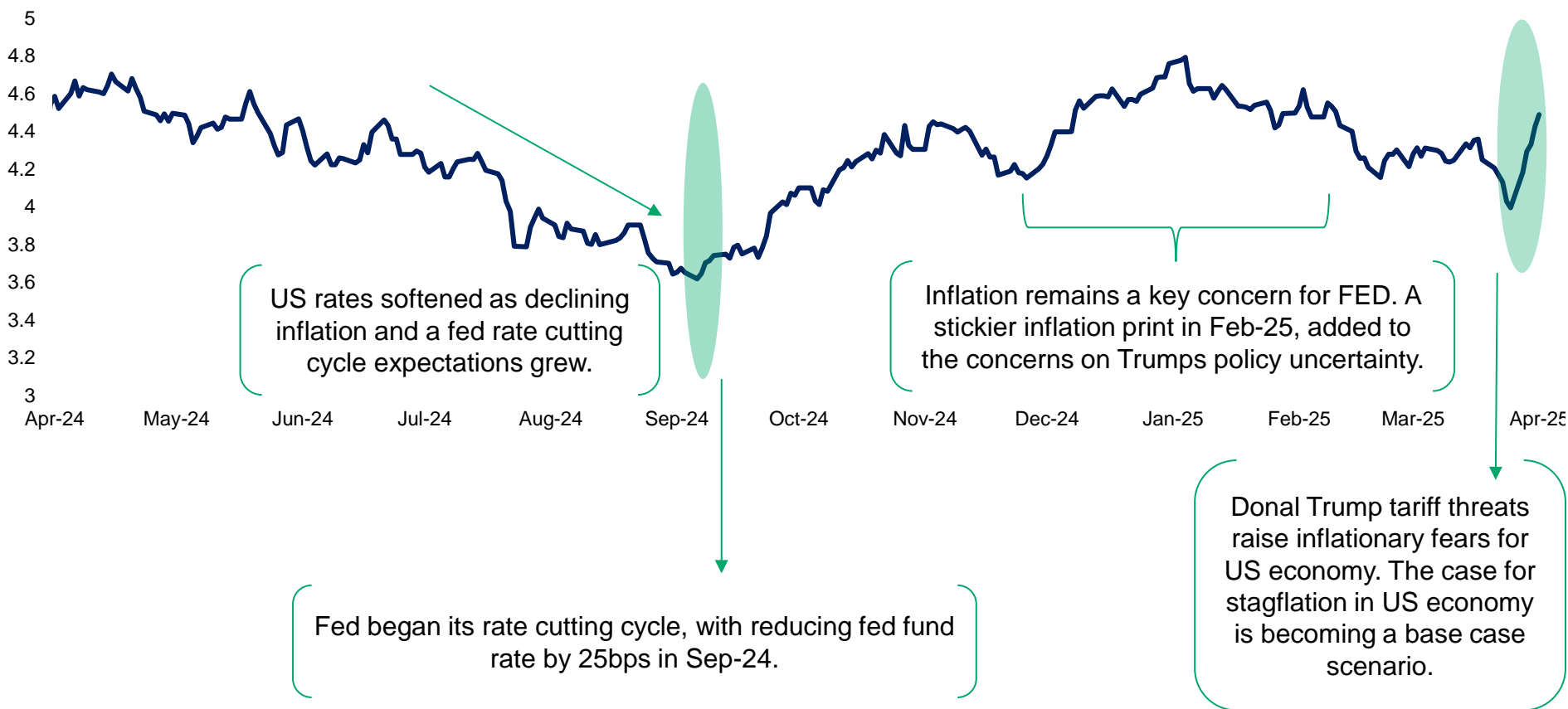
US Probability of Recession



- US President, Donald Trump announced a baseline tariff of 10% on all countries on the Liberation Day and a reciprocal tariff of 27% on Indian exports.
- Post that the reaction has not been very supportive of US.
- US is now facing a higher probability of recession.

US Yields – A trend of ups and downs

US 10 year benchmark yield



Summary of Events and Our View

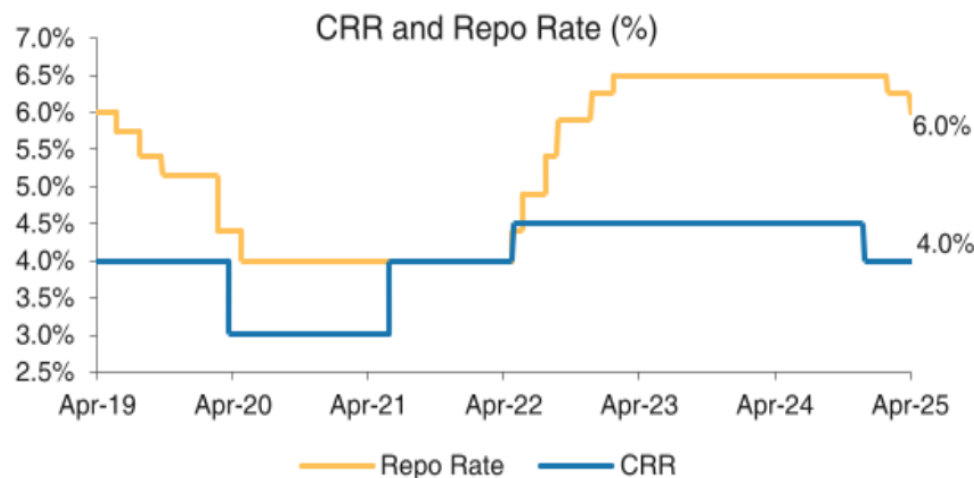
- ❑ US Inflation to be a key watch, Why?
 - FOMC rate cutting cycle to proceed cautiously after Trump tariffs threats and implying spillovers on inflation.
 - Quantum of rate cut to come down and even the possibility of no cut if inflation heats up further.
 - US growth outlook remains another concern.
- ❑ Emerging Markets growth – Economic outlook defined by divergence and currency pressures to remain
 - China's economy to be supported by stimulus both fiscal and monetary further adding pressure to yuan and other EM currencies.
 - The USD and EM FX – Global FX vulnerable to tariffs, weaker trade, and higher US rates

Our View- We expect dollar index to weaken eventually –

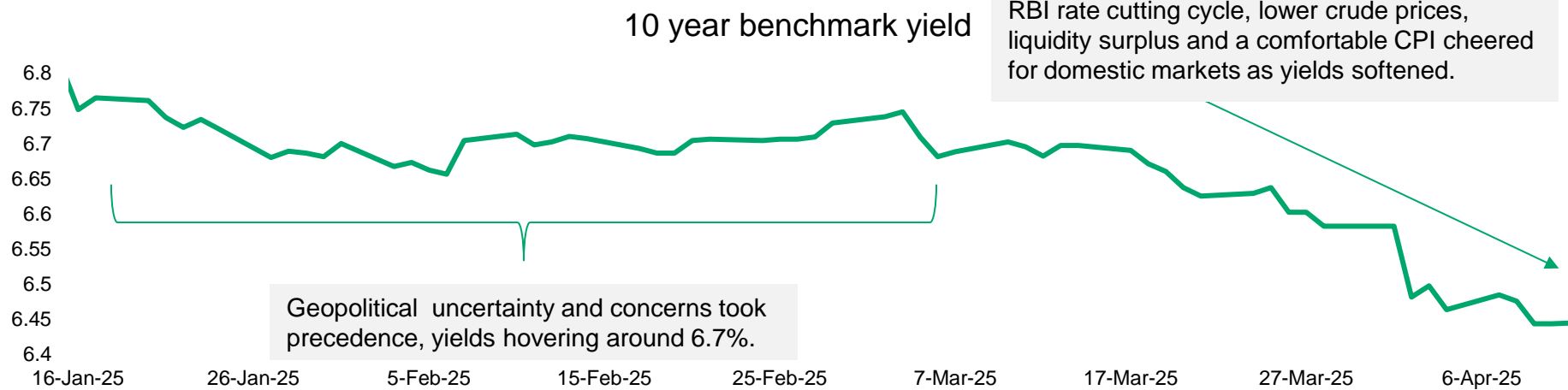
- High US Debt calls for a weak dollar
- US CPI – Signals no drastic tariff hikes safeguards US CPI

RBI MPC April-2025

CRR and Repo Rate Trends (%)



- RBI in its April-2025 monetary policy meeting decided to reduce repo rate by 25bps and changed the stance to 'accommodative' from 'neutral'.
- The policy decision was unanimous. The tone of the policy signaled more rate cuts given the change in stance.
- This will imply change in expectations of cumulative rate cuts in FY26 on the higher side.



Source: Bloomberg, Data as on April,11, 2025

Domestic Economy

RBI MPC April-2025

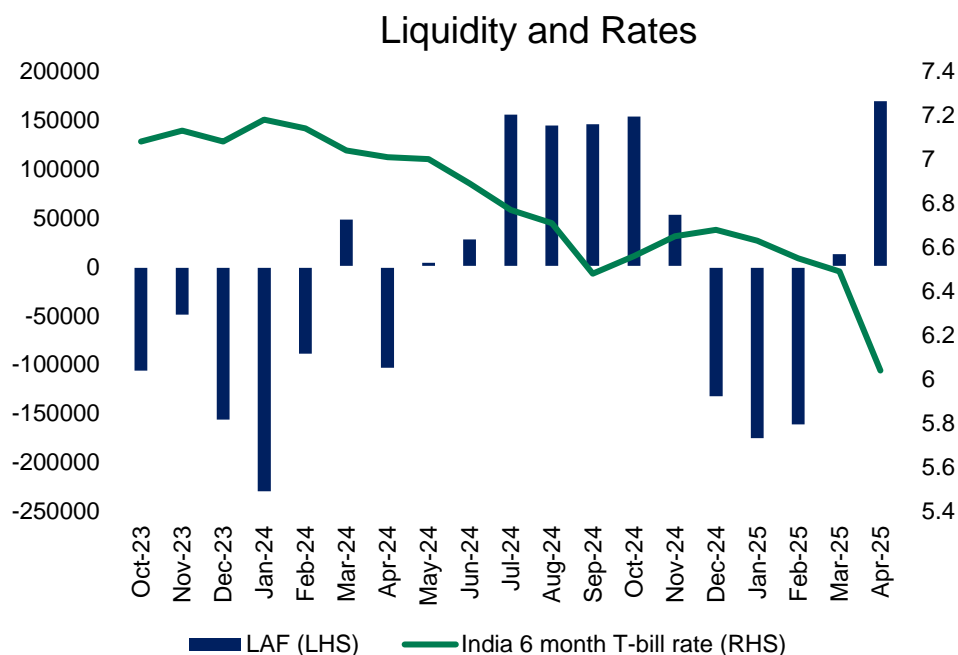
RBI Projections

RBI FY26 Estimates	Feb-25 Policy	Apr-25 Policy	Change
CPI - Inflation	4.2	4.0	-0.20
GDP Growth	6.7	6.5	-0.20
RBI GDP growth	Feb-25 Policy	Apr-25 Policy	Change
Q1	6.7	6.5	-0.20
Q2	7.0	6.7	-0.30
Q3	6.5	6.6	0.10
Q4	6.5	6.5	-
CPI Inflation	Feb-25 Policy	Apr-25 Policy	Change
Q1	4.5	3.6	-0.90
Q2	4.0	3.9	-0.10
Q3	3.8	3.8	-
Q4	4.2	4.4	0.20

Key pointers that we read around the policy

- Domestic growth will need more support –
- RBI has revised down its domestic growth estimates to 6.5% for FY26 from earlier estimates of 6.7%.
- Concerns stem from the current tariff war, having implications on both global and domestic growth.
- Inflation trajectory to soften further - Outlook for inflation remains optimistic with falling crude prices and robust kharif sowing.
- Inflation remains supportive of RBI's tilt towards a growth-oriented policy.

Liquidity – In spirit of the stance!



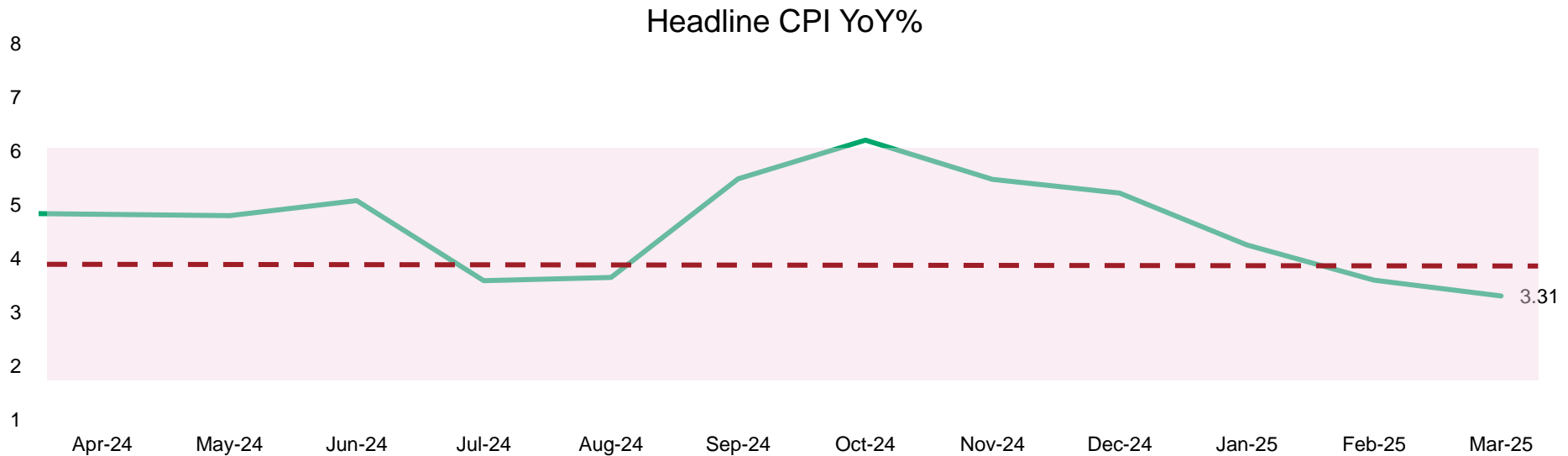
Liquidity Measures			
Rs. in Billions	CRR Cut	OMO Purchase	FX Swap
Dec-24 to Apr-25	1,160	2,846	2,177
Upcoming		400	

RBI on cumulative basis has infused ~11 trn. of liquidity through measures.

Liquidity infusion through VRR	Rs. in Billions
4-day VRR	812
5-day VRR	846
8-day VRR	99
14-day VRR	2,115
45-day VRR	580
49-day VRR	750
56-day VRR	500

- Liquidity conditions turned to surplus zone by end of March-25 led by aggressive government spending, OMO purchases and CRR drawdown.
- Accordingly domestic rates followed the liquidity conditions and softened.
- RBI announced OMO purchases to the tune of Rs800 bn in the month of April-25 (in four tranches of Rs 200 bn each), which is expected to be supportive of liquidity conditions.
- With RBI's proactive approach on liquidity and surplus liquidity conditions, we expect system liquidity to remain in surplus in the coming months.

Domestic Inflation



- India CPI inflation eased to 3.3% y/y in March-2025 from 3.6% y/y in Feb-2025. CPI inflation is currently at its 67-month low.
- Inflation for FY25 has averaged at 4.6% y/y. The softening in vegetable prices reversed the shocks to food inflation.
- Secondly, a weak global outlook, caps crude prices to limited volatility. Inflation at 3.3% continues to provide the space for more cuts and remain growth supportive.

Decoding Yield Signals

Economic Variable	Our View	Impact on yields
Growth	Economic activity remains a fragile spot as external environment remains volatile.	↓
Inflation	Inflation trajectory looks optimistic with a few bumps, we expect inflation to average at 4.1% Y/Y in FY26.	↓
Domestic Liquidity	Recent measures by RBI has effectively tackled the deficit liquidity conditions and is in surplus mode.	↓
Fiscal Health	Government's outlook on fiscal consolidation remains positive for the bond markets.	↓
RBI Monetary Policy	RBI MPC delivered another rate cut of 25bps, bringing down the repo rate to 6.00%.	↓
Global Commodities	Concerns on global economic outlook is visible in declining brent prices and softer commodity prices.	↓
Global Monetary Policy Stance	Global Monetary pivot has begun, tracking global inflation and growth dynamics.	↓

Fixed Income Outlook

- Global monetary policy dynamics have started witnessing bumps in their path to recalibrate the monetary rates.
- **The decline in the dollar index and US growth will be a key watch.**
- Trumps tariff threats and spillovers on currencies is the existing risk that is driving the markets volatile.
- **On the domestic front, evolving growth dynamics have taken center stage.**
- RBI's forward guidance and the rate cut gives us the confidence on growth supported future policy expectations.
- **Recent softening in domestic inflations paves the way for RBI to take calibrated policy decisions.**
- Having said that external headwinds continue weigh on INR which will have spillovers over domestic liquidity.
- RBI has been and is expected to continue infusing liquidity through OMO, FX swap in essence of the monetary policy stance.
- Irrespective of the tools, liquidity measures are expected to have an impact on the short end of the curve.
- The spreads on the short end are already elevated and attractive and a rate cut going forward may compress the current spreads.
- **Recent moves by RBI give us confidence that liquidity will be managed in spirit of the stance.**
- Having said that, the fundamentals of India's fiscal demand supply remain balanced and that is expected to maintain a downside bias on yields.

Past performance may or may not be sustained in future and is not a guarantee of any returns Returns do not take into account the load, if any. Returns are for growth option. Different plans shall have a different expense structure. The performance details provided above for Hybrid Funds are for regular/distributor plan and the performance for Debt Funds are for direct plan.

Disclaimers

In the preparation of the material contained in this document, Baroda BNP Paribas Asset Management India Ltd. (“AMC”) has used information that is publicly available, including information developed in-house. The AMC, however, does not warrant the accuracy, reasonableness and/or completeness of any information. This document may contain statements/opinions/ recommendations, which contain words, or phrases such as “expect”, “believe” and similar expressions or variations of such expressions that are “forward looking statements”. Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, etc. The AMC (including its affiliates), Baroda BNP Paribas Mutual Fund (“Mutual Fund”), its sponsor / trustee and any of its officers, directors, personnel and employees, shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner. The recipient alone shall be fully responsible / liable for any decision taken based on this document. All figures and other data given in this document are dated and may or may not be relevant at a future date. Prospective investors are therefore advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of the schemes of Baroda BNP Paribas Mutual Fund . **Past performance may or may not be sustained in the future and is not a guarantee of any future returns.** Please refer to the Scheme Information Document of the schemes before investing for details of the scheme including investment objective, asset allocation pattern, investment strategy, risk factors and taxation.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.