MORNING MOCHA

10 September 2026

Economist
Sonal Badhan

As tensions between US and Iran escalate further, and more Middle Eastern countries are getting involved in the crisis (attacks on oil infrastructure in Saudi Arabia, ports of Kuwait and Bahrain), oil prices remain above US$ 100/bbl. This is the highest since end-May'26 and has impacted investor sentiments across asset classes (equities, bond yields). US treasury secretary Scott Bessent has even unveiled a US$ 6bn long-dated government debt buyback program to support yields. While this amount is thrice the normal amount, but it is still less than expected (~US$ 8-10bn). Investors now await data on initial jobless claims (est.: 205k) and PPI in Aug'26 (0.4%) for more cues on Fed's future rate trajectory. On the macro front, industrial output in France fell by (-) 0.8% in Jul'26, following 0.1% rise in Jun'26, dragged by manufacturing sector (-0.4%). Separately in Taiwan, exports continue to get benefited from AI boom and rose by 41% YoY in Aug'26 (32.9% in Jul'26).

- Barring Shanghai Comp, other global indices closed lower as tensions flare up in Middle East. Rising treasury yields added further pressure to US indices. FTSE dropped the most. Sensex too declined and was dragged by losses in IT and real estate stocks. It is trading lower today in line with other Asian indices.

Table 1 – Stock markets

	08-09-2026	09-09-2026	Change, %
Dow Jones	52,786	52,381	(0.8)
S & P 500	7,674	7,636	(0.5)
FTSE	10,812	10,670	(1.3)
Nikkei	65,269	65,143	(0.2)
Hang Seng	25,317	25,275	(0.2)
Shanghai Comp	3,941	3,952	0.3
Sensex	75,578	74,764	(1.1)
Nifty	23,635	23,432	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY was steady ahead of the inflation report which could guide rate expectations. Yen continues to strengthen and has resulted in unwinding of carry trade. INR depreciated due to higher oil prices. It is trading weaker today while other Asian currencies are trading mixed.

Table 2 – Currencies

	08-09-2026	09-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1624	1.1633	0.1
GBP/USD (1 GBP / USD)	1.3541	1.3547	0
USD/JPY (JPY / 1 USD)	153.98	153.56	0.3
USD/INR (INR / 1 USD)	94.83	95.10	(0.3)
USD/CNY (CNY / 1 USD)	6.7102	6.7084	0
DXY Index	98.79	98.82	0

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China (lower), global yields elsewhere inched up. 10Y yield of UK and Germany rose the most, tracking soaring benchmark Dutch contract price (+~4%). US 10Y treasury yield was also up by 5bps, after US treasury secretary announced smaller than expected debt buyback program. India's bond yields rose by 1bps, tracking oil prices, and is trading steady today.

Table 3 – Bond 10Y yield

	08-09-2026	09-09-2026	Change, bps
US	4.79	4.84	5
UK	5.17	5.26	9
Germany	3.37	3.44	8
Japan	2.90	2.89	(1)
China	1.69	1.68	(1)
India	6.94	6.96	1

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	08-09-2026	09-09-2026	Change, bps
Tbill-91 days	5.32	5.19	(13)
Tbill-182 days	5.55	5.60	5
Tbill-364 days	5.87	5.90	3
G-Sec 2Y	6.28	6.31	4
India OIS-2M	5.33	5.35	2
India OIS-9M	5.83	5.83	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.65	3.64	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	08-09-2026	09-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	10.5	10.5	0

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	07-09-2026	08-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	172.8	(97.7)	(270.6)
Debt	37.3	(174.5)	(211.8)
Equity	135.6	76.8	(58.8)
Mutual funds (Rs cr)	1,115.5	(1,939.5)	(3,055.0)
Debt	479.2	(2,055.7)	(2,534.9)
Equity	636.3	116.2	(520.1)

Source: Bloomberg, Bank of Baroda Research

- Oil prices scaled up to US$ 101/bbl, amidst rising tensions in the Gulf including attacks on Saudi Arabia, Kuwait, and Bahrain.

Table 7 – Commodities

	08-09-2026	09-09-2026	Change, %
Brent crude (US$/bbl)	97.9	101.2	3.4
Gold (US$/ Troy Ounce)	4,356.0	4,398.8	1.0
Copper (US$/ MT)	14,741.2	14,809.0	0.5
Zinc (US$/MT)	4,160.2	4,204.0	1.1
Aluminium (US$/MT)	3,341.0	3,357.0	0.5

Source: Bloomberg, Bank of Baroda Research

Disclaimer

Visit us at

For further details about this publication, please contact:

Chief Economist
Bank of Baroda
chief.economist@bankofbaroda.com