MORNING MOCHA

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Economist
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Last week, news reports indicated that Iran was willing to negotiate with the US despite increased hostilities. No attacks were reported on Friday or Saturday and it was believed that in the talks while Iran focused on Strait of Hormuz, US has been pushing for a nuclear deal. However, talks appear to have broken down with fresh strikes on Iran and ships in the Strait of Hormuz. Attacks renewed on Sunday and continue even today. As a result, oil prices have increased by 4% today in the morning, nearing the US$ 80/bbl mark. India's 10Y yield has also reacted by opening 4bps higher. Asian equity markets are trading lower, over renewed fears of escalating tensions in the Middle East. News reports also indicate slowdown in shipping traffic through the Strait of Hormuz as both US and Iran fight for its control. Markets await India's CPI data due later today and US CPI due tomorrow.

- Except Shanghai Comp, other major global indices ended higher, as there were indications of easing geopolitical tensions in the Middle East. Stocks in Japan and India rose the most. Sensex edged up by 1.1%, led by gains in real estate, and metal stocks. However, it is trading lower today, in line with other Asian markets, as US has launched fresh attacks on Iran.

Table 1 – Stock markets

	9-07-2026	10-07-2026	Change, %
Dow Jones	52,487	52,637	0.3
S & P 500	7,544	7,575	0.4
FTSE	10,472	10,497	0.2
Nikkei	67,744	68,558	1.2
Hang Seng	24,030	24,175	0.6
Shanghai Comp	4,037	3,996	(1.0)
Sensex	76,742	77,569	1.1
Nifty	23,963	24,207	1.0

Source: Bloomberg, Bank of Baroda Research

- Except JPY and CNY, global currencies traded thinly. DXY remained stable as traders are watchful over tensions between US and Iran. This week remains further crucial ahead of the US CPI data release and Fed Chair's testimony. INR appreciated a tad. It is trading lower today in line with other Asian currencies.

Table 2 – Currencies

	9-07-2026	10-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1430	1.1416	(0.1)
GBP/USD (1 GBP / USD)	1.3408	1.3404	0
USD/JPY (JPY / 1 USD)	162.38	161.68	0.4
USD/INR (INR / 1 USD)	95.39	95.33	0.1
USD/CNY (CNY / 1 USD)	6.7922	6.7751	0.3
DXY Index	100.90	100.95	0

Source: Bloomberg, Bank of Baroda Research

- Except US and China, global yields softened. Japan's 10Y yield fell by 13bps albeit a stronger Yen and a hawkish BoJ. UK and Germany's 10Y yield also softened as central banks are likely to monitor recent developments in West Asia crisis. India's 10Y yield fell by 4bps. It is trading higher at 6.73% today.

Table 3 – Bond 10Y yield

	9-07-2026	10-07-2026	Change, bps
US	4.55	4.56	1
UK	4.90	4.87	(3)
Germany	3.08	3.07	(2)
Japan	2.88	2.74	(13)
China	1.73	1.73	0
India	6.75	6.71	(4)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	9-07-2026	10-07-2026	Change, bps
Tbill-91 days	5.28	5.27	(1)
Tbill-182 days	5.46	5.44	(2)
Tbill-364 days	5.63	5.61	(2)
G-Sec 2Y	6.01	6.12	10
India OIS-2M	5.37	5.38	1
India OIS-9M	5.68	5.65	(3)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.58	3.53	(5)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	9-07-2026	10-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.1	1.1	0

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	8-07-2026	9-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	999.0	152.5	(846.5)
Debt	2.6	124.7	122.2
Equity	996.5	27.8	(968.7)
Mutual funds (Rs cr)	(3,862.5)	(6,977.8)	(3,115.3)
Debt	(1,478.8)	(10,366.6)	(8,887.8)
Equity	(2,383.7)	3,388.8	5,772.5

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 3rd & 6th Jul 2026

- Oil prices declined monitoring news of ceasefire between US and Iran. However they are back up today, following fresh hostilities between the two.

Table 7 – Commodities

	9-07-2026	10-07-2026	Change, %
Brent crude (US$/bbl)	76.3	76.0	(0.4)
Gold (US$/ Troy Ounce)	4,123.6	4,119.9	(0.1)
Copper (US$/ MT)	13,439.8	13,418.6	(0.2)
Zinc (US$/MT)	3,648.7	3,630.0	(0.5)
Aluminium (US$/MT)	3,200.5	3,139.5	(1.9)

Source: Bloomberg, Bank of Baroda Research

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