MORNING MOCHA

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US macro data indicates that the Iran war has still not added to inflationary pressures as much as it was anticipated earlier. PPI inflation (MoM basis) remained flat in Jul'26 (0%), after declining by (-) 0.1% and was even lower than est.: 0.2% increase. Core inflation rose by 0.2% versus est.: 0.3%. Food, energy, and transportation & warehousing inflation acted as a drag. Labour market showed some weakness, as initial jobless claims for the week ending 8 Aug'26 rose by 9k to 209k. Continuing claims (4-week avg) were broadly steady at 1.79mn. Separately in UK, preliminary estimates show that GDP growth in Q2CY26 slowed a tad to 0.4% (QoQ) from 0.6% in Q1. Growth was led by services (supported by demand during Football World Cup season) and construction activity. In India, trade deficit in Jul'26 rose to 6-month high of US$ 32bn, as imports surged (17.5%). Exports were up by 19.6%.

- Global indices closed mixed. US indices advanced as rate hike expectations faded given softer than expected inflation print. Nikkei surged the most. FTSE was down to 2-week low. Sensex inched up with gains in real estate and telecommunication stocks. It is trading lower today in line with Asian indices.

Table 1 – Stock markets

	12-08-2026	13-08-2026	Change, %
Dow Jones	53,770	53,840	0.1
S & P 500	7,749	7,799	0.7
FTSE	10,833	10,773	(0.6)
Nikkei	67,524	68,309	1.2
Hang Seng	25,440	25,397	(0.2)
Shanghai Comp	3,947	3,927	(0.5)
Sensex	77,966	78,080	0.1
Nifty	24,436	24,396	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. Greenback was steady as investors monitored benign inflation print which has eased off rate hike pressure. Yen retreated further with traders wagering in more intervention and likelihood of faster than expected rate hike by BoJ. INR depreciated amidst lingering geopolitical risks. It is trading stronger today while other Asian currencies are trading mixed.

Table 2 – Currencies

	12-08-2026	13-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1526	1.1528	0
GBP/USD (1 GBP / USD)	1.3495	1.3487	(0.1)
USD/JPY (JPY / 1 USD)	159.42	159.50	(0.1)
USD/INR (INR / 1 USD)	95.33	95.45	(0.1)
USD/CNY (CNY / 1 USD)	6.7449	6.7441	0
DXY Index	100.01	99.96	0

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China, other major global yields softened. US treasury yield fell the most by 5bps, as investors monitored weaker than expected PPI data. Japan's bond yield rose further amidst expectations of rate hike by BoJ. By Oct'26 there is 95% probability that BoJ will increase rates by 25bps. India's 10Y yield fell by 2bps, and, it is trading steady today at 6.76%, following global cues.

Table 3 – Bond 10Y yield

	12-08-2026	13-08-2026	Change, bps
US	4.69	4.64	(5)
UK	4.97	4.95	(2)
Germany	3.16	3.13	(3)
Japan	2.86	2.89	3
China	1.71	1.70	0
India	6.78	6.76	(2)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	12-08-2026	13-08-2026	Change, bps
Tbill-91 days	5.26	5.25	(1)
Tbill-182 days	5.53	5.46	(7)
Tbill-364 days	5.69	5.69	0
G-Sec 2Y	6.12	6.10	(2)
India OIS-2M	5.30	5.29	0
India OIS-9M	5.64	5.63	(1)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.64	3.62	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	12-08-2026	13-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.4	3.5	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	11-08-2026	12-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	15.5	(88.8)	(104.2)
Debt	33.6	16.6	(17.0)
Equity	(18.1)	(105.4)	(87.3)
Mutual funds (Rs cr)	155.9	921.4	765.6
Debt	265.9	423.8	158.0
Equity	(110.0)	497.6	607.6

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 5 Aug and 6 Aug 2026

- Oil prices pulled back, following downward revisions to demand forecasts by IEA and OPEC. Buildup in US inventories also added to the declining trend.

Table 7 – Commodities

	12-08-2026	13-08-2026	Change, %
Brent crude (US$/bbl)	89.0	87.1	(2.1)
Gold (US$/ Troy Ounce)	4,408.3	4,350.4	(1.3)
Copper (US$/ MT)	14,294.3	14,394.1	0.7
Zinc (US$/MT)	3,834.2	3,841.0	0.2
Aluminium (US$/MT)	3,310.5	3,258.5	(1.6)

Source: Bloomberg, Bank of Baroda Research

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