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As tensions escalate between US and Iran, investors are evaluating the impact of the second round of war. US President has reinstated blockade at Iranian ports. For all other commercial cargo, US has announced 20% tax for the safe passage through the Strait. However, Iran has countered this by offering to charge a lower tax rate. With the war again engulfing the Middle Eastern countries, supply of global oil has again come under threat, and prices are up by ~10%. On the macro front, China has reported 27% (YoY) jump in exports for Jun'26, helped by global demand for AI hardware, and frontloading of demand. US's broad-based 10% tariff on Chinese goods is set to expire on 24 Jul 2026. Exports to US were up by 14%. Total imports rose by 36% in Jun'26, even as oil imports fell to a decade low. In India, CPI inched up to 4.4% in Jun'26 (3.9% in May'26), driven by higher food and transport inflation.

- Global stocks ended mixed as investors monitored heightened tensions in West Asia. US indices ended lower as investors await testimony from Fed Chair and US CPI report. Elsewhere, Nikkei declined the most due to weakness in chip related stocks. Sensex rose marginally by 0.1% as tech stocks gained. It is trading however trading lower today, in line with other Asian markets.

Table 1 – Stock markets

	10-07-2026	13-07-2026	Change, %
Dow Jones	52,637	52,499	(0.3)
S & P 500	7,575	7,515	(0.8)
FTSE	10,497	10,498	0
Nikkei	68,558	67,243	(1.9)
Hang Seng	24,175	24,214	0.2
Shanghai Comp	3,996	3,914	(2.1)
Sensex	77,569	77,616	0.1
Nifty	24,207	24,211	0

Source: Bloomberg, Bank of Baroda Research

- DXY rose by 0.3% amidst escalating tensions between US and Iran. Hawkish comments from a key Fed official also supported dollar. JPY depreciated the most by 0.5%. INR declined by 0.3% tracking higher oil prices. It is trading further weaker today, in line with its Asian peers.

Table 2 – Currencies

	10-07-2026	13-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1416	1.1381	(0.3)
GBP/USD (1 GBP / USD)	1.3404	1.3348	(0.4)
USD/JPY (JPY / 1 USD)	161.68	162.43	(0.5)
USD/INR (INR / 1 USD)	95.33	95.62	(0.3)
USD/CNY (CNY / 1 USD)	6.7751	6.7802	(0.1)
DXY Index	100.95	101.24	0.3

Source: Bloomberg, Bank of Baroda Research

- Except China, other global yields rose significantly. UK's 10Y yield rose the most, followed by that of the US. Probability of both BoE and US Fed hiking rates in the coming months has increased notably, with renewed tensions in the Middle East. India's 10Y yield was up by 2bps, tracking rise in oil prices and elevated inflation print for Jun'26. It is trading even higher at 6.79% today.

Table 3 – Bond 10Y yield

	10-07-2026	13-07-2026	Change, bps
US	4.56	4.62	6
UK	4.87	4.97	10
Germany	3.07	3.11	4
Japan	2.74	2.79	5
China	1.73	1.74	0
India	6.71	6.73	2

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	10-07-2026	13-07-2026	Change, bps
Tbill-91 days	5.27	5.27	0
Tbill-182 days	5.44	5.41	(3)
Tbill-364 days	5.61	5.61	0
G-Sec 2Y	6.12	6.15	4
India OIS-2M	5.38	5.37	(1)
India OIS-9M	5.65	5.70	5
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.53	3.55	2

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	10-07-2026	13-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.1	1.4	0.3

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	9-07-2026	10-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	152.5	446.9	294.4
Debt	124.7	115.7	(9.0)
Equity	27.8	331.2	303.4
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 have risen sharply, as US has reinstated blockade at Iranian ports and has announced 20% tax for safe passage of cargo to the Strait of Hormuz.

Table 7 – Commodities

	10-07-2026	13-07-2026	Change, %
Brent crude (US$/bbl)	76.0	83.3	9.6
Gold (US$/ Troy Ounce)	4,119.9	4,002.4	(2.9)
Copper (US$/ MT)	13,418.6	13,487.9	0.5
Zinc (US$/MT)	3,630.0	3,567.8	(1.7)
Aluminium (US$/MT)	3,139.5	3,169.5	1.0

Source: Bloomberg, Bank of Baroda Research

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