

MORNING MOCHA

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ECONOMIST
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US and Iran both have announced that they've reached a permanent peace deal. As a result, Strait of Hormuz will now be open for all commercial shipping without any tolls. In addition, it has been agreed that negotiations over nuclear weapon will take place over the next 60 days. Oil prices have fallen well below US\$ 90/bbl mark to US\$ 83/bbl, noting a ~8% decline since 11 June (before news broke of peace deal signing). On the macro front, University of Michigan consumer sentiment index rose to 48.4 in Jun'26 (est.: 46.1) from 45.8 in May'26. 1Y ahead inflation expectations declined to 4.6% (est.: 4.9%) from 4.8% last month. Separately in the UK, monthly GDP data indicates that economic activity contracted by (-) 0.1% in Apr'26, after rising by 0.3% in Mar'26, reflecting the impact of Iran war. Manufacturing, wholesale and transportation companies reported reduced turnovers.

- Global indices advanced as investors tracked the news report of peace deal between US and Iran. Amongst other indices, Nikkei surged the most cheering the prospects of a preliminary deal and ahead of the BoJ's rate decision. Sensex rebounded led by broad based gains and strong rally in real estate and banking stocks. It is trading higher today in line with other Asian indices.

Table 1 – Stock markets

	11-06-2026	12-06-2026	Change, %
Dow Jones	50,849	51,202	0.7
S & P 500	7,394	7,431	0.5
FTSE	10,304	10,472	1.6
Nikkei	64,217	66,020	2.8
Hang Seng	24,249	24,718	1.9
Shanghai Comp	3,987	4,032	1.1
Sensex	73,833	75,528	2.3
Nifty	23,162	23,623	2.0

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY, other global currencies closed lower. Dollar index slipped to 1-week low as investors eyed peace accord. JPY fell despite investors pricing in a rate hike in the upcoming meeting. INR rose amidst fall in oil prices. It is trading stronger today while other Asian currencies are trading mixed.

Table 2 – Currencies

	11-06-2026	12-06-2026	Change, %
EUR/USD (1 EUR / USD)	1.1578	1.1568	(0.1)
GBP/USD (1 GBP / USD)	1.3417	1.3406	(0.1)
USD/JPY (JPY / 1 USD)	159.93	160.24	(0.2)
USD/INR (INR / 1 USD)	95.76	95.12	0.7
USD/CNY (CNY / 1 USD)	6.7746	6.7627	0.2
DXI Index	99.86	99.75	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except US, other global yields declined. US 10Y yield rose by 2bps, tracking higher than expected US PPI and improvement in consumer sentiment. Elsewhere yields declined as talks of peace deal between US and Iran pushed oil prices lower. India's 10Y yield fell by 2bps following global cues. It is trading 4bps lower at 6.86% today, noting news of US-Iran peace agreement.

Table 3 – Bond 10Y yield

	11-06-2026	12-06-2026	Change, bps
US	4.46	4.48	2
UK	4.91	4.84	(7)
Germany	3.03	3.00	(4)
Japan	2.69	2.63	(6)
China	1.75	1.74	(1)
India	6.92	6.90	(2)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	11-06-2026	12-06-2026	Change, bps
Tbill-91 days	5.25	5.20	(5)
Tbill-182 days	5.50	5.47	(3)
Tbill-364 days	5.85	5.85	0
G-Sec 2Y	6.17	6.26	9
India OIS-2M	5.38	5.36	(2)
India OIS-9M	5.84	5.78	(6)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.59	3.60	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	11-06-2026	12-06-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.6	1.7	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	10-06-2026	11-06-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(74.7)	166.5	241.2
Debt	76.3	286.1	209.8
Equity	(151.0)	(119.7)	31.4
Mutual funds (Rs cr)	(5,094.3)	(9,857.7)	(4,763.4)
Debt	(9,532.1)	(10,165.7)	(633.6)
Equity	4,437.9	308.0	(4,129.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 9 and 10 Jun 2026

- Oil prices fell at the end of last of week and even more sharply today, as US and Iran have reached a permanent peace agreement.

Table 7 – Commodities

	11-06-2026	12-06-2026	Change, %
Brent crude (US\$/bbl)	90.4	87.3	(3.4)
Gold (US\$/ Troy Ounce)	4,212.3	4,219.3	0.2
Copper (US\$/ MT)	13,448.0	13,645.3	1.5
Zinc (US\$/MT)	3,494.6	3,578.0	2.4
Aluminium (US\$/MT)	3,502.0	3,535.0	0.9

Source: Bloomberg, Bank of Baroda Research



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