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Heightened tensions between US and Iran impacted market sentiments. Oil prices edged up to over US$ 91/bbl mark, refuelling inflationary concerns. Separately, Japan's manufacturing PMI rose to 54.9 in Aug'26 from 54.5 in Jul'26, led by a strong surge in new orders. This in turn was led by strong demand for semi-conductors and AI-related products. In China, the official manufacturing PMI improved from 49.2 in Jul'26 to 49.8 in Aug'26 but remained the crucial 50-mark. Notably, the sub-indices of new orders and production improved and rose above the 50-mark. Non-manufacturing PMI was steady at 49.0 in Aug'26, signalling subdued domestic demand. In India, GDP growth surprised positively and increased by 7.8% in Q1 FY27, after increasing by 6.9% in Q1 FY26. Separately, domestic liquidity surplus surged to a record high of Rs. 6.7lakh crores as of 31 Aug 2026.

- Barring FTSE and Shanghai Comp, other global indices closed lower as investors monitored fresh tensions between by US and Iran. Dow Jones slipped the most, with deep losses noted in semiconductor related stocks. Sensex too ended lower, led by metal and IT related stocks. It is trading lower today, in line with Asian indices.

Table 1 – Stock markets

	28-08-2026	31-08-2026	Change, %
Dow Jones	53,560	53,186	(0.7)
S & P 500	7,712	7,686	(0.3)
FTSE	10,793	10,824	0.3
Nikkei	66,406	66,312	(0.1)
Hang Seng	25,585	25,567	(0.1)
Shanghai Comp	3,952	3,986	0.9
Sensex	77,265	76,957	(0.4)
Nifty	24,176	24,080	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies strengthened against a weaker dollar. DXY was lower as investors await US jobs data due later in the week. JPY appreciated as traders expect BoJ to rate hike this month. INR appreciated by 0.2% despite higher oil prices. It is trading further stronger today, in line with other Asian currencies.

Table 2 – Currencies

	28-08-2026	31-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1585	1.1618	0.3
GBP/USD (1 GBP / USD)	1.3538	1.3549	0.1
USD/JPY (JPY / 1 USD)	160.09	159.74	0.2
USD/INR (INR / 1 USD)	95.39	95.17	0.2
USD/CNY (CNY / 1 USD)	6.7301	6.7197	0.2
DXY Index	99.70	99.43	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except China, other global yields closed higher. Germany's 10Y yield rose the most by 4bps. US 10Y yield spiked past the 4.75% mark (first time since Jan'25), amidst global bond sell-off and as investors tracked escalated tensions in Middle-East, with oil surging past 90$/bbl mark. India's 10Y yield rose by 3bps, as oil prices remain higher. It is trading stable today at 6.95%.

Table 3 – Bond 10Y yield

	28-08-2026	31-08-2026	Change, bps
US	4.72	4.75	3
UK	5.03	5.06	3
Germany	3.28	3.32	4
Japan	2.93	2.96	3
China	1.70	1.69	(1)
India	6.91	6.95	3

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	28-08-2026	31-08-2026	Change, bps
Tbill-91 days	5.28	5.27	(1)
Tbill-182 days	5.61	5.62	1
Tbill-364 days	5.79	5.80	1
G-Sec 2Y	6.26	6.28	1
India OIS-2M	5.36	5.37	1
India OIS-9M	5.79	5.85	6
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.64	3.65	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	28-08-2026	31-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	4.9	6.7	1.8

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	27-08-2026	28-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(23.9)	(162.9)	(139.0)
Debt	(115.5)	(28.1)	87.4
Equity	91.6	(134.8)	(226.4)
Mutual funds (Rs cr)	(2,183.2)	10,525.5	12,708.7
Debt	(6,975.6)	5,953.7	12,929.3
Equity	4,792.4	4,571.8	(220.5)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 12 Aug and 13 Aug 2026

- Oil prices rose by over 1% amidst renewed tensions between US and Iran.

Table 7 – Commodities

	28-08-2026	31-08-2026	Change, %
Brent crude (US$/bbl)	89.3	90.5	1.3
Gold (US$/ Troy Ounce)	4,455.1	4,437.4	(0.4)
Copper (US$/ MT)	14,453.9	14,445.6	(0.1)
Zinc (US$/MT)	4,115.8	4,084.0	(0.8)
Aluminium (US$/MT)	3,234.5	3,242.0	0.2

Source: Bloomberg, Bank of Baroda Research

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