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Minutes of the Fed's Jul'26 policy meeting showed that FOMC members remained wary of inflation risks amidst uncertainty due to the West Asia crisis. Several members believed that a rate hike to keep inflation near target. Separately, there were no signs of de-escalation in US-Iran tensions, and traffic through Strait of Hormuz remained suspended. US Treasury announced an increase in its buyback program for longer dated securities (10Y-30Y). The move comes after US 30Y yield surged to a 19-year high and total US public debt increased to over US$ 40tn. Inflation in both UK and EU rose to 2.9% in Jul'26 from 2.6% and 2.8% respectively. In India, RBI's minutes showed that while the risks to the inflation outlook have risen, future course of action should be data-driven. RBI Governor stated that inflation is driven by supply-side shocks, and if there are signs of "broad-based increase in inflation or de-anchoring of expectations", a rate hike would be warranted.

- Nikkei fell sharply led by drop in paper and pulp and transport and comm. shares. There was slight momentum in US and UK stocks, despite aggravating geo-political situation. Sensex declined by 0.4%, led by losses in power stocks. It is however trading higher today, while Asian stocks are trading mixed.

Table 1 – Stock markets

	18-08-2026	19-08-2026	Change, %
Dow Jones	53,343	53,463	0.2
S & P 500	7,692	7,708	0.2
FTSE	10,728	10,743	0.1
Nikkei	67,461	65,326	(3.2)
Hang Seng	25,471	25,495	0.1
Shanghai Comp	3,990	3,894	(2.4)
Sensex	77,235	76,910	(0.4)
Nifty	24,155	24,078	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies gained against a weaker dollar. DXY dipped by 0.8% tracking a decline in US treasury yields. EUR and GBP both edged up tracking inflation data. Higher oil prices weighed on INR. However, it is trading stronger today, in line with other Asian currencies.

Table 2 – Currencies

	18-08-2026	19-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1576	1.1677	0.9
GBP/USD (1 GBP / USD)	1.3532	1.3606	0.5
USD/JPY (JPY / 1 USD)	159.61	158.17	0.9
USD/INR (INR / 1 USD)	95.68	95.76	(0.1)
USD/CNY (CNY / 1 USD)	6.7442	6.7296	0.2
DXY Index	99.66	98.83	(0.8)

Source: Bloomberg, Bank of Baroda Research

- US, Japan and UK's 10Y yield fell significantly. Investors sentiments were impacted by the announcement of US Treasury that it would increase the size of bond buyback for 10-30Y securities, thus putting a cap on yields. India's 10Y yield fell a tad by 1bps. It is trading higher at 6.85% today.

Table 3 – Bond 10Y yield

	18-08-2026	19-08-2026	Change, bps
US	4.70	4.65	(6)
UK	5.08	5.04	(4)
Germany	3.26	3.26	0
Japan	2.96	2.90	(6)
China	1.67	1.69	3
India	6.83	6.82	(1)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	18-08-2026	19-08-2026	Change, bps
Tbill-91 days	5.20	5.26	6
Tbill-182 days	5.46	5.55	9
Tbill-364 days	5.68	5.72	4
G-Sec 2Y	6.19	6.19	0
India OIS-2M	5.32	5.32	0
India OIS-9M	5.69	5.67	(2)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.66	3.65	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	18-08-2026	19-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.9	3.7	(0.2)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	16-08-2026	17-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(134.9)	254.6	389.5
Debt	(99.5)	(51.2)	48.3
Equity	(35.5)	305.8	341.3
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 inched up as US President announced that the US will inflict "Economic D-day against Iran".

Table 7 – Commodities

	18-08-2026	19-08-2026	Change, %
Brent crude (US$/bbl)	91.0	91.6	0.7
Gold (US$/ Troy Ounce)	4,334.5	4,515.6	4.2
Copper (US$/ MT)	14,234.5	14,364.3	0.9
Zinc (US$/MT)	3,777.5	3,802.9	0.7
Aluminium (US$/MT)	3,220.5	3,227.5	0.2

Source: Bloomberg, Bank of Baroda Research

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