MORNING MOCHA

20 July 2026

Economist
Aditi Gupta

Global markets witnessed renewed volatility as tensions between US and Iran simmered. Oil prices have once again started inching up, hovering at around US$ 90/bbl mark today. As a result, inflationary concerns have resurfaced. Bets of Fed rate hike this year have increased with Cleveland Fed President stating that rate hikes might be needed to keep inflation in check. As per CME FedWatch tool, the probability of a rate hike in Sep'26 have increased to 52.4% versus 47% on 16 Jul 2026. Separately, industrial production in the US increased at a steady rate of 0.1% in May'26 on a MoM basis. Housing starts also rebounded and increased by 19% to 1,427k. In India, focus remains on rising oil prices and progress of monsoon. As of 19 Jul 2026, cumulative rainfall under the South-West monsoon remains weak at 23.8% below LPA as of 19 Jul 2026.

- Except UK and Indian markets, stocks elsewhere closed lower. Investors remained pessimistic over escalating tensions between US and Iran. Apart from this, AI related valuation concerns also impacted sentiments. Nikkei fell the most, followed by Shanghai Comp. Sensex edged up, led by banking stocks. It is however trading weaker today, in line with other Asian markets.

Table 1 – Stock markets

	16-07-2026	17-07-2026	Change, %
Dow Jones	52,553	52,146	(0.8)
S & P 500	7,534	7,458	(1.0)
FTSE	10,572	10,600	0.3
Nikkei	66,836	64,141	(4.0)
Hang Seng	25,009	24,562	(1.8)
Shanghai Comp	3,882	3,764	(3.0)
Sensex	77,187	78,151	1.2
Nifty	24,073	24,334	1.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies traded in thin ranges as investors monitored escalating tensions in US-Iran relations. GBP depreciated the most tracking political developments. INR appreciated marginally despite higher oil prices. However, it is trading weaker today, in line with other Asian currencies.

Table 2 – Currencies

	16-07-2026	17-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1442	1.1439	0
GBP/USD (1 GBP / USD)	1.3478	1.3452	(0.2)
USD/JPY (JPY / 1 USD)	162.39	162.40	0
USD/INR (INR / 1 USD)	96.35	96.28	0.1
USD/CNY (CNY / 1 USD)	6.7728	6.7762	(0.1)
DXY Index	100.76	100.77	0

Source: Bloomberg, Bank of Baroda Research

- Except India (higher) and China (stable), global yields broadly softened but continued to trade in narrow ranges. This is largely due to risk off sentiments amidst escalating war situation between US and Iran. India's 10Y yield rose by 3bps tracking movement of global oil prices. It is trading further higher at 6.81% today.

Table 3 – Bond 10Y yield

	16-07-2026	17-07-2026	Change, bps
US	4.55	4.55	(1)
UK	4.97	4.95	(2)
Germany	3.13	3.13	(1)
Japan	2.72	2.70	(2)
China	1.74	1.73	0
India	6.75	6.78	3

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	16-07-2026	17-07-2026	Change, bps
Tbill-91 days	5.31	5.29	(2)
Tbill-182 days	5.52	5.50	(2)
Tbill-364 days	5.63	5.61	(2)
G-Sec 2Y	6.10	6.21	11
India OIS-2M	5.39	5.43	4
India OIS-9M	5.77	5.81	4
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	16-07-2026	17-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.8	0.7	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	15-07-2026	16-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	13.6	(311.6)	(325.2)
Debt	63.7	18.6	(45.1)
Equity	(50.1)	(330.2)	(280.1)
Mutual funds (Rs cr)	748.4	1,408.0	659.6
Debt	(577.5)	(667.5)	(90.0)
Equity	1,325.8	2,075.4	749.6

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

- Oil prices inched up amidst reports of fresh military attacks between US and Iran.

Table 7 – Commodities

	16-07-2026	17-07-2026	Change, %
Brent crude (US$/bbl)	84.2	88.1	4.6
Gold (US$/ Troy Ounce)	3,976.5	4,017.4	1.0
Copper (US$/ MT)	13,554.4	13,500.9	(0.4)
Zinc (US$/MT)	3,608.9	3,543.8	(1.8)
Aluminium (US$/MT)	3,185.0	3,150.5	(1.1)

Source: Bloomberg, Bank of Baroda Research

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at

For further details about this publication, please contact:

Chief Economist
Bank of Baroda
chief.economist@bankofbaroda.com