

MORNING MOCHA

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US President is hopeful that the Iran war might come to an end soon. However, he also clarified that in case a deal is not made soon, then US may again resort to attacking Iran. On the macro front, pending home sales in the US rose by 1.4% (MoM) in Apr'26, up from 1.7% in Mar'26. Elevated mortgage rates (30Y fixed mortgage rate rose to 6.33% in Apr'26 from 6.18% in Mar'26), and rising home prices, led to this increase. Separately, minutes of RBA's May'26 meeting shows that members hiked rates for the third time noting stickiness in inflation and the impact of Iran war. Members have hinted at a pause for the next meeting in Jun'26 (60% probability). In the UK, unemployment rate for Q1CY26 unexpectedly rose to 5% (est.: 4.9%). Payroll data shows that payroll decline continues in Apr'26 as well (-100k versus -28k in Mar'26), signalling weakening of the labour market.

- Global indices closed mixed as investor continue to track the changing geopolitical situation in the Middle East. Dip in US indices was led by subdued macro data (higher than expected pending home sales) and risks of elevated inflation. Sensex too edged down, with losses in metal and banking stocks. It is trading lower today in line with other Asian indices.

Table 1 – Stock markets

	18-05-2026	19-05-2026	Change, %
Dow Jones	49,686	49,364	(0.6)
S & P 500	7,403	7,354	(0.7)
FTSE	10,324	10,331	0.1
Nikkei	60,816	60,551	(0.4)
Hang Seng	25,675	25,798	0.5
Shanghai Comp	4,132	4,170	0.9
Sensex	75,315	75,201	(0.2)
Nifty	23,650	23,618	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies weakened against the dollar. DXY rose to 6-week high as investors are expecting a hawkish shift from Fed to manage energy-led inflation. INR breached the 96.5/\$ mark, record low led by persistent FPI outflows. It is trading even lower today while other Asian currencies are trading mixed.

Table 2 – Currencies

	18-05-2026	19-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1656	1.1605	(0.4)
GBP/USD (1 GBP / USD)	1.3434	1.3395	(0.3)
USD/JPY (JPY / 1 USD)	158.82	159.07	(0.2)
USD/INR (INR / 1 USD)	96.36	96.54	(0.2)
USD/CNY (CNY / 1 USD)	6.8001	6.8136	(0.2)
DXY Index	99.19	99.33	0.1

Source: Bloomberg, Bank of Baroda Research



- Except China and India, other global yields inched up. US 10Y yield rose the most. Even 30Y yield hit its highest level (5.18%) since 2007 crisis, as investors believe inflation to be stickier than previously expected. Also, the financial cost of Iran war is a concern. India's 10Y yield fell by 2bps, tracking dip in oil prices. However, following global cues, it is trading a tad higher at 7.12% today.

Table 3 – Bond 10Y yield

	18-05-2026	19-05-2026	Change, bps
US	4.59	4.67	8
UK	5.10	5.13	3
Germany	3.15	3.19	4
Japan	2.74	2.79	6
China	1.75	1.75	(1)
India	7.13	7.11	(2)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	18-05-2026	19-05-2026	Change, bps
Tbill-91 days	5.45	5.43	(2)
Tbill-182 days	5.64	5.63	(1)
Tbill-364 days	5.79	5.80	1
G-Sec 2Y	6.37	6.37	0
India OIS-2M	5.54	5.51	(3)
India OIS-9M	6.09	6.07	(2)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.55	3.53	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	18-05-2026	19-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.8	1.9	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	15-05-2026	18-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	295.4	186.6	(108.8)
Debt	64.0	(38.7)	(102.6)
Equity	231.4	225.2	(6.1)
Mutual funds (Rs cr)	(2,843.0)	(5,831.0)	(2,988.0)
Debt	(3,167.0)	(2,563.8)	603.2
Equity	324.0	(3,267.2)	(3,591.2)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 14 May and 15 May 2026

- Oil prices fell, as US decided to pause planned strikes on Iran for now.

Table 7 – Commodities

	18-05-2026	19-05-2026	Change, %
Brent crude (US\$/bbl)	112.1	111.3	(0.7)
Gold (US\$/ Troy Ounce)	4,566.7	4,482.6	(1.8)
Copper (US\$/ MT)	13,532.2	13,333.9	(1.5)
Zinc (US\$/MT)	3,507.5	3,492.7	(0.4)
Aluminium (US\$/MT)	3,569.0	3,602.5	0.9

Source: Bloomberg, Bank of Baroda Research



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