

MORNING MOCHA

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 ECONOMIST
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Global markets cheered signals pointing towards early resolution of the Iran war. US President has stated that peace deal negotiation is in its final stage. Also, Iran's Navy allowing 26 ships to pass through the Strait of Hormuz was a welcome news. On the macro front, minutes of FOMC meeting in May indicate that there remains an easing bias amongst the members. They acknowledged that if inflation falls back to Fed's targeted range (2%) or if labour market weakens then the central bank should cut rates. However, they also included a warning that if the Iran war drags on for long and inflation remains persistently above 2% mark then monetary policy firming should take place. In the UK, CPI slowed to 2.8% in Apr'26 (est.: 3%), from 3.3% in Mar'26, helped by lower electricity and gas prices. On the domestic front, RBI announced dollar/rupee buy/sell swap auction of US\$5bn for 3Y tenor. This will induce long-term liquidity in the system and boost RBI's FX reserves.

- Global equity indices closed mixed. US indices edged up as oil prices fell and sell-off eased in the bond market. Investors also tracked developments in the Middle East. Sensex advanced led by strong gains in power and capital good stocks. It is trading higher today while other Asian indices are trading mixed.

Table 1 – Stock markets

	19-05-2026	20-05-2026	Change, %
Dow Jones	49,364	50,009	1.3
S & P 500	7,354	7,433	1.1
FTSE	10,331	10,432	1.0
Nikkei	60,551	59,804	(1.2)
Hang Seng	25,798	25,651	(0.6)
Shanghai Comp	4,170	4,162	(0.2)
Sensex	75,201	75,318	0.2
Nifty	23,618	23,659	0.2

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies rose against the dollar. DXY was steady as investors tracked the Fed minutes. INR again ended on a record low. RBI has announced the US\$ 5bn US-INR buy-sell swap auction to support FX reserves. It is trading stronger today while other Asian currencies are trading mixed.

Table 2 – Currencies

	19-05-2026	20-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1605	1.1624	0.2
GBP/USD (1 GBP / USD)	1.3395	1.3435	0.3
USD/JPY (JPY / 1 USD)	159.07	158.92	0.1
USD/INR (INR / 1 USD)	96.54	96.83	(0.3)
USD/CNY (CNY / 1 USD)	6.8136	6.7988	0.2
DXY Index	99.33	99.35	0

Source: Bloomberg, Bank of Baroda Research



- Pressure on global bond yields eased. 10Y yields in UK and Germany fell the most, followed by that of the US. Iran's navy allowed some ships to pass through the Strait of Hormuz, thus easing global-supply concerns. Easing bias in FOMC minutes also supported investor sentiments. Following global cues, India's 10Y yield fell by 3bps. It is trading even lower at 7.07% today.

Table 3 – Bond 10Y yield

	19-05-2026	20-05-2026	Change, bps
US	4.67	4.59	(8)
UK	5.13	4.99	(14)
Germany	3.19	3.10	(10)
Japan	2.79	2.78	(1)
China	1.75	1.75	0
India	7.11	7.08	(3)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	19-05-2026	20-05-2026	Change, bps
Tbill-91 days	5.43	5.50	7
Tbill-182 days	5.63	5.73	10
Tbill-364 days	5.80	5.94	14
G-Sec 2Y	6.37	6.43	5
India OIS-2M	5.51	5.48	(3)
India OIS-9M	6.07	6.02	(5)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.53	3.51	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	19-05-2026	20-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.9	1.3	(0.6)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	18-05-2026	19-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	186.6	(269.2)	(455.8)
Debt	(38.7)	109.0	147.7
Equity	225.2	(378.3)	(603.5)
Mutual funds (Rs cr)	(4,014.3)	(550.4)	3,463.9
Debt	(2,489.0)	(2,533.9)	(44.9)
Equity	(1,525.3)	1,983.5	3,508.8

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 15 May and 18 May 2026

- Oil prices fell sharply, as Iran allowed 26 shipments to pass through the Strait of Hormuz, including some non-Iranian oil tankers.

Table 7 – Commodities

	19-05-2026	20-05-2026	Change, %
Brent crude (US\$/bbl)	111.3	105.0	(5.6)
Gold (US\$/ Troy Ounce)	4,482.6	4,544.2	1.4
Copper (US\$/ MT)	13,333.9	13,595.6	2.0
Zinc (US\$/MT)	3,492.7	3,541.5	1.4
Aluminium (US\$/MT)	3,602.5	3,622.5	0.6

Source: Bloomberg, Bank of Baroda Research



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