MORNING MOCHA

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Economist
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US-Iran relations continued to worsen with, continued US strikes on Iran. At the same time, Iran is also said to have intensified drone strikes on Kuwait. Oil prices continued to inch up, with investors also pricing in the supply disruptions due to a naval blockade of Saudi Arabia. On the macro front, unemployment rate in the UK was steady at 4.9% in Mar-May'26 (weakest since 2020). At the same time, the average wage growth was also unchanged at 3.4% in Mar-May'26 (lowest level since Oct'20). Markets largely expect BoE to hold rates steady in its meeting next week. In Germany, ZEW's economic sentiment index rose to 23.6 in Jul'26 from 10.5 in Jun'26, aided by a government's reform program. Separately, Japan's exports increased by 19.3% in Jun'26, led by a surge in exports of semiconductors. Imports increased by 25.4%, due to a sharp jump in petroleum imports.

- Except Hong Kong (stable) and India (lower), global indices closed higher. Investors remained optimistic amidst expectation of AI driven rally and awaiting corporate results. Nikkei rose the most, followed by US stocks. Sensex dipped, led by banking and technology stocks. It is trading further lower today. Asian markets are trading mixed.

Table 1 – Stock markets

	20-07-2026	21-07-2026	Change, %
Dow Jones	51,839	52,225	0.7
S & P 500	7,443	7,509	0.9
FTSE	10,525	10,586	0.6
Nikkei	64,141	66,232	3.3
Hang Seng	25,143	25,132	0
Shanghai Comp	3,796	3,864	1.8
Sensex	77,709	77,470	(0.3)
Nifty	24,239	24,188	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. GBP depreciated as UK's labour market continues to remain weak. JPY weakened to a 40-year low, raising bets of intervention. INR strengthened despite higher oil prices. However, it is trading weaker today, in line with other Asian currencies.

Table 2 – Currencies

	20-07-2026	21-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1414	1.1398	(0.1)
GBP/USD (1 GBP / USD)	1.3431	1.3376	(0.4)
USD/JPY (JPY / 1 USD)	162.50	163.17	(0.4)
USD/INR (INR / 1 USD)	96.45	96.24	0.2
USD/CNY (CNY / 1 USD)	6.7684	6.7675	0
DXY Index	100.95	100.99	0

Source: Bloomberg, Bank of Baroda Research

- Except UK and China (stable), global yields closed higher. US 10Y yield inched up amidst reports of sector-specific elevated tariff rates reigniting inflationary concerns. UK's 10Y yield erased most of its earlier increase as the new PM spoke of fiscal discipline. India's 10Y yield rose by 2bps tracking increase in oil prices. It is trading further higher at 6.81% today.

Table 3 – Bond 10Y yield

	20-07-2026	21-07-2026	Change, bps
US	4.59	4.63	4
UK	5.03	5.03	0
Germany	3.15	3.16	1
Japan	2.70	2.73	3
China	1.74	1.74	0
India	6.78	6.79	2

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	20-07-2026	21-07-2026	Change, bps
Tbill-91 days	5.27	5.27	0
Tbill-182 days	5.53	5.53	0
Tbill-364 days	5.62	5.62	0
G-Sec 2Y	6.21	6.21	0
India OIS-2M	5.43	5.43	0
India OIS-9M	5.83	5.85	2
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.59	3.57	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	20-07-2026	21-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.8	0.1	(0.7)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	17-07-2026	20-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	609.2	278.5	(330.7)
Debt	631.6	78.7	(552.9)
Equity	(22.4)	199.8	222.2
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 lack of progress in negotiation in the ongoing conflict between US and Iran.

Table 7 – Commodities

	20-07-2026	21-07-2026	Change, %
Brent crude (US$/bbl)	89.2	91.0	2.0
Gold (US$/ Troy Ounce)	4,008.0	4,077.0	1.7
Copper (US$/ MT)	13,621.2	13,898.5	2.0
Zinc (US$/MT)	3,542.4	3,577.4	1.0
Aluminium (US$/MT)	3,140.0	3,158.0	0.6

Source: Bloomberg, Bank of Baroda Research

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