

MORNING MOCHA

22 May 2026

 ECONOMIST
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Global markets are hopeful of an early peace deal between the US and Iran. As a result, oil prices have witnessed notable decline and pressure on yields has also come off. On the macro front, labour market in the US remains resilient, with initial jobless claims for the week ending 16 May declining by 3k to 209k. Continuing claims (4-week moving average) also fell by 6.5k to 1.77mn. In contrast, single-family housing starts declined by 9% in Apr'26 (10.7% increase in Mar'26). Markit flash PMI index also shows moderation in services activity in May'26, while there is rebound in manufacturing. Elsewhere as well, PMI data indicates that services sector is facing immense pressure with activity in contraction in UK, Eurozone and Australia. In India, services activity improved a tad (58.9 versus 58.8) and manufacturing growth eased a little (54.3 versus 54.7).

- Global indices closed mixed. US indices advanced as investors awaited on a possible breakthrough in the US-Iran peace talks and was further supported by strong labour market data. Nikkei surged by 3% with strong gains in real estate and banking sectors. Sensex slipped with losses in IT related and FMCG stocks. However, it is trading higher today in line with other Asian indices.

Table 1 – Stock markets

	20-05-2026	21-05-2026	Change, %
Dow Jones	50,009	50,286	0.6
S & P 500	7,433	7,446	0.2
FTSE	10,432	10,443	0.1
Nikkei	59,804	61,684	3.1
Hang Seng	25,651	25,387	(1.0)
Shanghai Comp	4,162	4,077	(2.0)
Sensex	75,318	75,183	(0.2)
Nifty	23,659	23,655	0

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other global currencies traded steadily against the dollar. DXY rose, led by strong labour data and ahead of data on consumer sentiment index. INR rose, as oil prices slipped and post RBI's intervention to infuse liquidity. It is trading weaker today while other Asian currencies are trading mixed.

Table 2 – Currencies

	20-05-2026	21-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1624	1.1619	0
GBP/USD (1 GBP / USD)	1.3435	1.3431	0
USD/JPY (JPY / 1 USD)	158.92	158.98	0
USD/INR (INR / 1 USD)	96.83	96.20	0.6
USD/CNY (CNY / 1 USD)	6.7988	6.8014	0
DXY Index	99.09	99.26	0.2

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. 10Y yields in the US and UK fell the most. Investors monitor drop in housing starts in the US and potential peace deal between US and Iran. India's 10Y yield rose by 4bps, as investors gauge RBI's probable rate trajectory. However, noting dip in oil prices and following global cues, it is trading lower today at 7.08%.

Table 3 – Bond 10Y yield

	20-05-2026	21-05-2026	Change, bps
US	4.59	4.57	(2)
UK	4.99	4.97	(2)
Germany	3.10	3.10	0
Japan	2.78	2.77	(1)
China	1.75	1.75	0
India	7.08	7.11	4

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	20-05-2026	21-05-2026	Change, bps
Tbill-91 days	5.50	5.53	3
Tbill-182 days	5.73	5.74	1
Tbill-364 days	5.94	5.96	2
G-Sec 2Y	6.43	6.48	6
India OIS-2M	5.48	5.60	11
India OIS-9M	6.02	6.17	15
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.51	3.50	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	20-05-2026	21-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.3	0.6	(0.7)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	19-05-2026	20-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(269.2)	(254.3)	15.0
Debt	109.0	(19.0)	(128.0)
Equity	(378.3)	(235.3)	143.0
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 further, tracking optimism around potential peace deal between US and Iran.

Table 7 – Commodities

	20-05-2026	21-05-2026	Change, %
Brent crude (US\$/bbl)	105.0	102.6	(2.3)
Gold (US\$/ Troy Ounce)	4,544.2	4,543.1	0
Copper (US\$/ MT)	13,595.6	13,455.9	(1.0)
Zinc (US\$/MT)	3,541.5	3,509.3	(0.9)
Aluminium (US\$/MT)	3,622.5	3,637.0	0.4

Source: Bloomberg, Bank of Baroda Research



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