MORNING MOCHA

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Economist
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Oil prices continued to climb as tensions between US and Iran simmered. Reports of attack on ships in Red Sea is likely to further tighten supplies. As a result, fears of global inflation have once again resurfaced. While the ECB is widely expected to keep rates steady at its meeting today, a rate hike is priced in for Sep'26. News reports also hinted that the BoJ might be considering a faster than expected pace of rate hikes due to inflationary concerns. Even so, Yen continued to hover at a 40-year low, prompting the government to issue verbal warnings. On the macro front, CPI inflation in the UK eased to 2.6% in Jun'26 from 2.8% in May'26, led by a decline in fuel and food prices. In India, RBI noted that despite a volatile external scenario, domestic growth has held ground led by services and industrial sector. Further, adequate buffer stocks should help food prices despite uneven rainfall.

- Global indices closed mixed. Investors remained cautious tracking disruption in the Red Sea, monitoring corporate results and awaiting forward guidance from Fed Chair on interest rate trajectory. FTSE and Shanghai Comp inched up, while Hang Seng and Nikkei dropped the most. Sensex dipped, led by banking stocks. It is trading further lower today while Asian markets are trading mixed.

Table 1 – Stock markets

	21-07-2026	22-07-2026	Change, %
Dow Jones	52,225	52,219	0
S & P 500	7,509	7,499	(0.1)
FTSE	10,586	10,717	1.2
Nikkei	66,232	66,116	(0.2)
Hang Seng	25,132	24,893	(1.0)
Shanghai Comp	3,864	3,867	0.1
Sensex	77,470	76,755	(0.9)
Nifty	24,188	23,996	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed monitoring increased escalation in US-Iran conflict. Amongst major currencies, EUR rose by 0.1%. JPY continued to hover at a 40-year low. INR depreciated by 0.3% as oil prices inched up. It is trading further weaker today, in line with Asian peers.

Table 2 – Currencies

	21-07-2026	22-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1398	1.1412	0.1
GBP/USD (1 GBP / USD)	1.3376	1.3375	0
USD/JPY (JPY / 1 USD)	163.17	163.15	0
USD/INR (INR / 1 USD)	96.24	96.57	(0.3)
USD/CNY (CNY / 1 USD)	6.7675	6.7740	(0.1)
DXY Index	101.17	101.13	0

Source: Bloomberg, Bank of Baroda Research

- Except US and Japan, global yields traded in a narrow range. US 10Y yield inched up as rising oil prices build up case for tighter monetary policy. Japan's 10Y yield also firmed up amidst rate hike expectations. India's 10Y yield rose a tad. It is trading at 6.82% today.

Table 3 – Bond 10Y yield

	21-07-2026	22-07-2026	Change, bps
US	4.63	4.65	3
UK	5.03	5.03	0
Germany	3.16	3.17	1
Japan	2.73	2.76	3
China	1.74	1.73	(1)
India	6.79	6.80	1

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	21-07-2026	22-07-2026	Change, bps
Tbill-91 days	5.27	5.34	7
Tbill-182 days	5.53	5.59	6
Tbill-364 days	5.62	5.75	13
G-Sec 2Y	6.21	6.22	1
India OIS-2M	5.43	5.43	0
India OIS-9M	5.85	5.87	2
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.57	3.61	4

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	21-07-2026	22-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.1	0	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	20-07-2026	21-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	278.5	1,867.4	1,589.0
Debt	78.7	1,491.6	1,412.9
Equity	199.8	375.8	176.0
Mutual funds (Rs cr)	3,175.4	(1,666.4)	(4,841.8)
Debt	(306.0)	(1,730.0)	(1,424.0)
Equity	3,481.4	63.6	(3,417.8)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 16 Jul and 17 Jul 2026

- Oil prices firmed up amidst reports of disruption of transit in the Red Sea.

Table 7 – Commodities

	21-07-2026	22-07-2026	Change, %
Brent crude (US$/bbl)	91.0	94.1	3.4
Gold (US$/ Troy Ounce)	4,077.0	4,130.3	1.3
Copper (US$/ MT)	13,898.5	13,812.7	(0.6)
Zinc (US$/MT)	3,577.4	3,621.7	1.2
Aluminium (US$/MT)	3,158.0	3,192.5	1.1

Source: Bloomberg, Bank of Baroda Research

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