

**MORNING MOCHA**

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 ECONOMIST  
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Crisis in the Middle East escalated over the weekend. Civilian infrastructure has been targeted and there is possibility that energy infrastructure may also get damaged. Given this backdrop, oil prices continue to rise and are currently trading at 4-year high. Increase in international prices has also led to increase in domestic prices in India. Price of industrial diesel has been raised by Rs 22/lt and premium petrol is up by Rs 2/lt. However, to protect majority of the consumers, prices of normal diesel and petrol have been left unchanged. Globally, investors are also worried that a prolonged war will impact inflation trajectory and hence ECB and BoE delivered a hawkish statement last week. BoJ is expected to hike rates in Apr'26. Analysts are now expecting 50% chances of a rate hike by Fed by the end of CY26.

- Barring India, global stocks ended lower as the war entered its fourth week. The signs of possible escalation with Iran threatening to retaliate against Gulf infrastructure, has made investors pared risk. Nikkei fell the most followed by US stocks. Sensex rose by 0.4% led by technology stocks. However, it is trading lower today, in line with other Asian stocks.

**Table 1 – Stock markets**

	19-03-2026	20-03-2026	Change, %
Dow Jones	46,021	45,577	(1.0)
S & P 500	6,606	6,506	(1.5)
FTSE	10,064	9,918	(1.4)
Nikkei	55,239	53,373	(3.4)
Hang Seng	25,501	25,277	(0.9)
Shanghai Comp	4,007	3,957	(1.2)
Sensex	74,207	74,533	0.4
Nifty	23,002	23,115	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated against the US\$. DXY rose by 0.4%, tracking steep rise in bond yields and increase in safe-haven demand. INR and JPY fell the most. INR fell by 1.1%, noting escalating crisis in the Middle East. It is trading at a record low of 93.91/\$ today. Other Asian currencies are also trading lower today.

**Table 2 – Currencies**

	19-03-2026	20-03-2026	Change, %
EUR/USD (1 EUR / USD)	1.1589	1.1572	(0.1)
GBP/USD (1 GBP / USD)	1.3431	1.3341	(0.7)
USD/JPY (JPY / 1 USD)	157.73	159.23	(0.9)
USD/INR (INR / 1 USD)	92.64	93.71	(1.1)
USD/CNY (CNY / 1 USD)	6.8909	6.9036	(0.2)
DXY Index	99.23	99.65	0.4

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Mar 2026



- Global yield rose significantly as extended period of war has stoked inflationary concerns. Thus, global central banks are likely to be watchful of the same. This has led to selling in the sovereign asset class. UK's 10Y yield fell the most followed by US and Germany. India's 10Y yield rose by 4bps tracking higher oil prices. It is trading further higher at 6.82% today.

**Table 3 – Bond 10Y yield**

	19-03-2026	20-03-2026	Change, bps
US	4.25	4.38	13
UK	4.84	4.99	15
Germany	2.96	3.04	8
Japan	2.28	2.28	0
China	1.84	1.84	0
India	6.73	6.77	4

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Mar 2026

**Table 4 – Short term rates**

	18-03-2026	20-03-2026	Change, bps
Tbill-91 days	5.31	5.31	0
Tbill-182 days	5.53	5.50	(3)
Tbill-364 days	5.64	5.60	(4)
G-Sec 2Y	5.98	6.05	7
India OIS-2M	5.41	5.44	3
India OIS-9M	5.69	5.73	4
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.62	3.62	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Mar 2026

**Table 5 – Liquidity**

Rs tn	18-03-2026	20-03-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.3	(0.1)	(0.4)

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 19 Mar 2026

**Table 6 – Capital market flows**

	17-03-2026	18-03-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(633.8)	(1,452.0)	(818.1)
Debt	(171.4)	(265.9)	(94.5)
Equity	(462.5)	(1,186.1)	(723.6)
Mutual funds (Rs cr)	1,283.0	1,416.4	133.4
Debt	(9,403.1)	(2,560.0)	6,843.1
Equity	10,686.2	3,976.4	(6,709.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 16 &amp; 17 Mar 2026 | Note: Markets in India were closed on 19 Mar 2026

- Oil prices rose to its highest since early Jul'22, as war in the Middle East escalates further.

**Table 7 – Commodities**

	19-03-2026	20-03-2026	Change, %
Brent crude (US\$/bbl)	108.7	112.2	3.3
Gold (US\$/ Troy Ounce)	4,650.0	4,492.4	(3.4)
Copper (US\$/ MT)	12,046.4	11,834.7	(1.8)
Zinc (US\$/MT)	3,036.7	3,042.4	0.2
Aluminium (US\$/MT)	3,252.0	3,215.0	(1.1)

Source: Bloomberg, Bank of Baroda Research



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