MORNING MOCHA

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Economist
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UK's services PMI surged to 6-month high to 52.8 in Aug'26 from 52.1 in Jul'26. This was on the back of strong demand conditions. The consumer confidence index rose to -14 (2-year high) from -17 in Jul'26 showcasing consumers turning more optimistic and confident. This will help the new PM and Finance minister as they head towards their first budget. Separately, in the US, as per the LSEG data, investors were the net buyers of the equity funds (US$ 11.72bn) for the second week in a row backed by strong earnings season. Large and multi cap funds registered inflows of US$ 9.6bn and US$ 1.4bn respectively, outweighing the outflows in mid and small cap funds. Investors await more clarity of US sanctions against Iran which could possibly result in further disruption in supplies. The focus would also shift towards Fed's chief speech at Jackson Hole which could provide more information on rate trajectory.

- Global indices closed mixed. US indices advanced supported by strong earnings and pickup in healthcare and financial sector stocks. Amongst other indices, Hang Seng was the biggest gainer. Sensex remained steady. It is trading higher today while other Asian stocks are trading lower.

Table 1 – Stock markets

	20-08-2026	21-08-2026	Change, %
Dow Jones	52,759	53,277	1.0
S & P 500	7,641	7,674	0.4
FTSE	10,748	10,817	0.6
Nikkei	66,217	66,016	(0.3)
Hang Seng	25,698	26,009	1.2
Shanghai Comp	3,904	3,905	0
Sensex	77,538	77,541	0
Nifty	24,232	24,252	0.1

Source: Bloomberg, Bank of Baroda Research

- Barring EUR and INR (flat), other major currencies appreciated against the US$ DXY fell by 0.1%, tracking ballooning sovereign debt and US treasury's plan to buyback more long-end bonds. INR was steady, monitoring movement in oil prices and details on sanctions on Iran. It is trading stronger today while other Asian currencies are trading weaker.

Table 2 – Currencies

	20-08-2026	21-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1678	1.1679	0
GBP/USD (1 GBP / USD)	1.3631	1.3644	0.1
USD/JPY (JPY / 1 USD)	159.05	158.95	0.1
USD/INR (INR / 1 USD)	95.71	95.71	0
USD/CNY (CNY / 1 USD)	6.7250	6.7212	0.1
DXY Index	98.90	98.80	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. US and Japan's 10Y yield rose the most by 3bps. Faster than expected manufacturing and services activity in the US and elevated national debt level, pushed the yield higher. In Japan, pressure on BoJ to hike rates remains. India's 10Y yield fell by 2bps, even as oil prices remain higher. It is trading stable today at 6.85%.

Table 3 – Bond 10Y yield

	20-08-2026	21-08-2026	Change, bps
US	4.70	4.73	3
UK	5.07	5.06	(1)
Germany	3.26	3.26	0
Japan	2.86	2.89	3
China	1.69	1.70	0
India	6.87	6.85	(2)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	20-08-2026	21-08-2026	Change, bps
Tbill-91 days	5.27	5.28	1
Tbill-182 days	5.59	5.55	(4)
Tbill-364 days	5.73	5.72	(1)
G-Sec 2Y	6.19	6.25	6
India OIS-2M	5.34	5.34	0
India OIS-9M	5.78	5.77	(1)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.62	3.63	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	20-08-2026	21-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.5	3.4	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	19-08-2026	20-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	98.1	(20.2)	(118.4)
Debt	46.4	8.2	(38.2)
Equity	51.8	(28.4)	(80.2)
Mutual funds (Rs cr)	(2,183.2)	10,525.5	12,708.7
Debt	(6,975.6)	5,953.7	12,929.3
Equity	4,792.4	4,571.8	(220.5)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 12 Aug and 13 Aug 2026

- Oil prices rose a tad, as investors await details on US sanctions on Iran.

Table 7 – Commodities

	20-08-2026	21-08-2026	Change, %
Brent crude (US$/bbl)	93.8	94.4	0.7
Gold (US$/ Troy Ounce)	4,516.6	4,603.1	1.9
Copper (US$/ MT)	14,113.2	14,276.8	1.2
Zinc (US$/MT)	3,892.4	3,949.2	1.5
Aluminium (US$/MT)	3,205.0	3,237.5	1.0

Source: Bloomberg, Bank of Baroda Research

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