

MORNING MOCHA

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Global markets continue to monitor developments surrounding US-Iran peace deal. Hopes of a resolution have increased, despite the constant back and forth. Investors are also hopeful about the much-awaited reopening of the Strait of Hormuz. Separately in the US, University of Michigan's consumer sentiment index dipped to a record low of 44.8 in May'26 (est. 48.2) from 49.8 in Apr'26, amidst elevated prices due to the West Asia conflict. Inflation expectations over both the 1Y and 5Y horizon increased to 4.8% (4.7%) and 3.9% (3.5%) respectively. In India, RBI announced a record dividend payout of Rs. 2.9lakh crores to the government for FY26, in line with budget estimates. This is likely to provide some support to the fiscal deficit. Separately, RBI in its monthly bulletin has highlighted the continued resilience of the domestic economy, even though elevated crude prices and capital outflows remain a key risk for the external sector outlook.

- Global indices closed higher as markets absorbed war-related developments. Nikkei rose the most tracking a weaker JPY. Tech driven rally pushed US stocks higher, with Dow Jones closing at its record high level. Sensex rose by 0.3% led by banking stocks. It is trading further higher today, in line with Asian markets.

Table 1 – Stock markets

	21-05-2026	22-05-2026	Change, %
Dow Jones	50,286	50,580	0.6
S & P 500	7,446	7,473	0.4
FTSE	10,443	10,466	0.2
Nikkei	61,684	63,339	2.7
Hang Seng	25,387	25,606	0.9
Shanghai Comp	4,077	4,113	0.9
Sensex	75,183	75,415	0.3
Nifty	23,655	23,719	0.3

Source: Bloomberg, Bank of Baroda Research

- Except EUR and JPY, other global currencies gained against the dollar. DXY was marginally weaker amidst weak macro data. INR appreciated by 0.5% due to likely support from RBI intervention. It is trading further stronger today after RBI Governor's remarks. Asian currencies are also trading stronger.

Table 2 – Currencies

	21-05-2026	22-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1619	1.1603	(0.1)
GBP/USD (1 GBP / USD)	1.3431	1.3433	0
USD/JPY (JPY / 1 USD)	158.98	159.18	(0.1)
USD/INR (INR / 1 USD)	96.20	95.71	0.5
USD/CNY (CNY / 1 USD)	6.8014	6.7963	0.1
DXY Index	99.26	99.24	0

Source: Bloomberg, Bank of Baroda Research



- UK's 10Y yield softened the most despite stickiness in public sector borrowing in Apr'26. Germany's 10Y yield softened by 6bps, amidst reports of ECB revisiting its inflation outlook. Elsewhere, 10Y yields traded in a narrow range. India's 10Y yield fell by 2bps, tracking auction results and RBI dividend announcement. It is trading further lower at 7.03% today.

Table 3 – Bond 10Y yield

	21-05-2026	22-05-2026	Change, bps
US	4.57	4.56	(1)
UK	4.97	4.90	(7)
Germany	3.10	3.04	(6)
Japan	2.77	2.76	(1)
China	1.75	1.75	0
India	7.11	7.09	(2)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	21-05-2026	22-05-2026	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	21-05-2026	22-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.6	0.6	0

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	20-05-2026	21-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(254.3)	(199.8)	54.5
Debt	(19.0)	(13.9)	5.1
Equity	(235.3)	(186.0)	49.3
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 inched up in the last trading session, but are trading sharply lower today (US\$ 98/bbl) as investors remain hopeful of US-Iran peace deal.

Table 7 – Commodities

	21-05-2026	22-05-2026	Change, %
Brent crude (US\$/bbl)	102.6	103.5	0.9
Gold (US\$/ Troy Ounce)	4,543.1	4,509.4	(0.7)
Copper (US\$/ MT)	13,455.9	13,614.8	1.2
Zinc (US\$/MT)	3,509.3	3,530.3	0.6
Aluminium (US\$/MT)	3,637.0	3,649.5	0.3

Source: Bloomberg, Bank of Baroda Research



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