

MORNING MOCHA

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Trading volumes remained thin globally, as key markets were closed for Memorial Day holiday. Investors monitored developments in US-Iran peace talks amidst conflicting signals from both sides. While there was significant optimism regarding a possible peace deal, hopes faded after US launched fresh strikes on Iran. The strikes targeting Iranian ships were categorised as “defensive actions” by the US. The prolonged conflict has led to significant challenges for global central banks as elevated energy prices have started to push up inflation. Analysts believe that global oil supply chains would take a long time to recover even after the conflict is resolved, implying that energy prices are likely to remain elevated. Against this backdrop, investors have now raised bets of Fed rate hike as soon as the end of the year. In India, investors await Q4 FY 26 GDP release.

- Global indices closed higher. Investors are slowly pricing in the constant back and forth surrounding US-Iran peace deal. Nikkei rose the most, tracking BoJ’s Deputy Governor’s comments on policy adjustment. Elsewhere, major markets remained closed. Sensex rose by 1.4%, led by banking stocks. It is trading further higher today, while Asian markets are trading mixed.

Table 1 – Stock markets

	22-05-2026	25-05-2026	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	63,339	65,158	2.9
Hang Seng	25,387	25,606	0.9
Shanghai Comp	4,113	4,153	1.0
Sensex	75,415	76,489	1.4
Nifty	23,719	24,032	1.3

Source: Bloomberg, Bank of Baroda Research | Note: Markets in the US, UK and Hong Kong were closed on 25 May 2026

- Global currencies ended mostly stronger against the dollar. Amongst major currencies, JPY and INR appreciated the most. INR benefitted from RBI Governor’s comments and positive global cues. However, it is trading weaker today, in line with other Asian currencies after reports of US strikes on Iran.

Table 2 – Currencies

	22-05-2026	25-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1603	1.1644	0.4
GBP/USD (1 GBP / USD)	1.3433	1.3504	0.5
USD/JPY (JPY / 1 USD)	159.18	158.91	0.2
USD/INR (INR / 1 USD)	95.71	95.24	0.5
USD/CNY (CNY / 1 USD)	6.7963	6.7832	0.2
DXI Index	99.26	99.24	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in the US were closed on 25 May 2026



- Germany's 10Y yield fell at the sharpest pace by 9bps tracking comments by ECB official, stating that rising energy costs are unlikely to have second-round effect. Japan's 10Y yield also edged down by 6bps amidst reports of curtailing excess bond issuances. India's 10Y yield fell by 6bps, supported by lower oil prices. It is trading at the same level today.

Table 3 – Bond 10Y yield

	22-05-2026	25-05-2026	Change, bps
US	4.57	4.56	(1)
UK	4.97	4.90	(7)
Germany	3.04	2.95	(9)
Japan	2.76	2.70	(6)
China	1.75	1.75	0
India	7.09	7.03	(6)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in the US and UK were closed on 25 May 2026

Table 4 – Short term rates

	22-05-2026	25-05-2026	Change, bps
Tbill-91 days	5.52	5.50	(2)
Tbill-182 days	5.82	5.78	(4)
Tbill-364 days	5.93	5.89	(4)
G-Sec 2Y	6.43	6.36	(7)
India OIS-2M	5.60	5.53	(7)
India OIS-9M	6.13	6.00	(14)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.50	3.51	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	22-05-2026	25-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.6	0.7	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	21-05-2026	22-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(199.8)	(497.7)	(297.9)
Debt	(13.9)	50.4	64.2
Equity	(186.0)	(548.1)	(362.1)
Mutual funds (Rs cr)	(3,747.0)	(5,560.2)	(1,813.2)
Debt	(4,299.8)	(7,232.8)	(2,933.0)
Equity	552.9	1,672.7	1,119.8

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 20 May and 21 May 2026

- Oil prices inched down in last trading session on optimism over peace deal. However, following US strikes on Iran, oil prices has once again inched up.

Table 7 – Commodities

	22-05-2026	25-05-2026	Change, %
Brent crude (US\$/bbl)	103.5	96.1	(7.1)
Gold (US\$/ Troy Ounce)	4,509.4	4,570.5	1.4
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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