MORNING MOCHA

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US macro data indicates that impact of Iran war on inflation persists. US PCE (Fed's preferred gauge of inflation) rose by 3.7% in Jul'26 (est.: 3.6%), unchanged from the previous month. Core PCE also remained sticky at 3.3%, led by services inflation (financial services and housing). Both income and spending also reported higher than expected growth of 0.4% and 0.2%, respectively. Second estimates of US Q2CY26 GDP growth also remain unchanged at 1.5%, and consumer spending growth was revised to 3.4% from 3.2% earlier. These datasets point towards Fed hiking rates in the coming months. Separately in China, industrial profits growth cooled down to 11.2% in Jul'26 from 15.1% in Jun'26. Growth was driven by export-oriented industries and those driving on AI boom. Profits of domestic consumption driven industries remain under pressure.

- Global indices ended mixed. Stocks in the US moderated, tracking core PCE data, signalling tighter Fed policy going ahead. Asian stocks inched up amidst optimism over AI-driven rally. Sensex fell by (-) 0.2% led by decline in technology stocks. It is trading further lower today, while Asian indices are trading mixed.

Table 1 – Stock markets

	25-08-2026	26-08-2026	Change, %
Dow Jones	53,577	53,464	(0.2)
S & P 500	7,677	7,676	0
FTSE	10,886	10,878	(0.1)
Nikkei	65,856	66,262	0.6
Hang Seng	25,511	25,653	0.6
Shanghai Comp	3,889	3,913	0.6
Sensex	77,656	77,473	(0.2)
Nifty	24,335	24,208	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DM currencies fell against the US$, and DXY was up by 0.3%. Investors remain on edge regarding Fed's next rate hike, following stubborn inflation data. INR appreciated, supported by lower oil prices. It is trading steady today while other Asian currencies are trading mixed.

Table 2 – Currencies

	25-08-2026	26-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1675	1.1651	(0.2)
GBP/USD (1 GBP / USD)	1.3649	1.3595	(0.4)
USD/JPY (JPY / 1 USD)	159.19	159.31	(0.1)
USD/INR (INR / 1 USD)	95.75	95.42	0.3
USD/CNY (CNY / 1 USD)	6.7204	6.7221	0
DXY Index	98.92	99.17	0.3

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26 Aug 2026

- Except Japan (stable), global yields inched up. UK's 10Y yield rose by 4bps amidst reports of higher supply of bonds by BoE. 10Y yield in the US also inched up tracking core PCE data. India's 10Y yield fell by 2bps in its previous session. It is trading a tad higher at 6.86% today.

Table 3 – Bond 10Y yield

	25-08-2026	26-08-2026	Change, bps
US	4.63	4.65	2
UK	4.99	5.03	4
Germany	3.20	3.23	3
Japan	2.90	2.90	0
China	1.69	1.70	1
India	6.87	6.85	(2)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26 Aug 2026

Table 4 – Short term rates

	24-08-2026	25-08-2026	Change, bps
Tbill-91 days	5.27	5.26	(1)
Tbill-182 days	5.56	5.54	(2)
Tbill-364 days	5.74	5.74	0
G-Sec 2Y	6.25	6.25	0
India OIS-2M	5.32	5.32	0
India OIS-9M	5.72	5.75	3
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.65	3.66	1

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26 Aug 2026

Table 5 – Liquidity

Rs tn	24-08-2026	25-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.6	3.8	0.2

Source: RBI, Bank of Baroda Research| Note: Markets in India were closed on 26 Aug 2026

Table 6 – Capital market flows

	21-08-2026	24-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	163.6	154.1	(9.6)
Debt	(42.6)	(20.2)	22.4
Equity	206.2	174.2	(32.0)
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 fell further, as market participants do not expect any immediate impact of US sanctions on Iran.

Table 7 – Commodities

	25-08-2026	26-08-2026	Change, %
Brent crude (US$/bbl)	88.6	87.8	(0.8)
Gold (US$/ Troy Ounce)	4,657.2	4,591.1	(1.4)
Copper (US$/ MT)	14,505.9	14,461.6	(0.3)
Zinc (US$/MT)	4,023.4	4,092.0	1.7
Aluminium (US$/MT)	3,238.0	3,225.0	(0.4)

Source: Bloomberg, Bank of Baroda Research

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