

## MORNING MOCHA

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Global trade tensions resurfaced once again as US President announced higher tariffs on South Korea and Canada. Accusing South Korea of not enacting the deal signed in Jul'25, the US President raised tariffs to 25% from 15% agreed as part of the deal. Earlier, President Trump had threatened to impose 100% tariff on Canada, if the latter signs a trade deal with China. While stocks in the US remained largely unaffected, DXY continued to slide. Investors' focus this week remains on the Fed policy, wherein a status quo is expected. In China, industrial profits rose by 0.6% in 2025, marking for the first increase since 2021. This has been attributed largely to export diversification. In Dec'25, profits increased by 5.3%, after falling by 13.1% in Nov'25. In India, RBI announced further liquidity infusion measures. Focus remains on the Union Budget and Economic Survey.

- US indices ended higher ahead of earning reports of major technology companies. Fed policy is also awaited this week. Nikkei fell sharply, tracking movement of JPY in the run up to the election campaign. Sensex closed lower dragged down by real estate and auto stocks. It is trading higher today, while Asian stocks are trading mixed amidst fear of higher tariff on S. Korea by US.

**Table 1 – Stock markets**

	23-01-2026	26-01-2026	Change, %
Dow Jones	49,099	49,412	0.6
S & P 500	6,916	6,950	0.5
FTSE	10,143	10,149	0.1
Nikkei	53,847	52,885	(1.8)
Hang Seng	26,750	26,766	0.1
Shanghai Comp	4,136	4,133	(0.1)
Sensex	82,307	81,538	(0.9)
Nifty	25,290	25,049	(1.0)

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

- Except INR, other global currencies strengthened against the dollar. DXY fell by 0.6% to its lowest since Sep'25 as investors assessed the impact of US policies on growth. JPY appreciated amidst reports of intervention. INR depreciated to a record low. However, it is trading stronger today, in line with other Asian peers.

**Table 2 – Currencies**

	23-01-2026	26-01-2026	Change, %
EUR/USD (1 EUR / USD)	1.1828	1.1880	0.4
GBP/USD (1 GBP / USD)	1.3643	1.3680	0.3
USD/JPY (JPY / 1 USD)	155.70	154.18	1.0
USD/INR (INR / 1 USD)	91.63	91.96	(0.4)
USD/CNY (CNY / 1 USD)	6.9632	6.9542	0.1
DXY Index	97.60	97.04	(0.6)

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



- Risk-off sentiments surrounding geopolitical tension and volatility in Japanese market largely capped sovereign yields. Germany's 10Y yield softened the most, followed by Japan. India's 10Y yield rose by 3bps. It is trading at the same level today, despite the announcement of a host of liquidity measures by RBI.

**Table 3 – Bond 10Y yield**

	23-01-2026	26-01-2026	Change, bps
US	4.23	4.21	(1)
UK	4.51	4.50	(1)
Germany	2.91	2.87	(4)
Japan	2.26	2.24	(2)
China	1.83	1.82	0
India	6.64	6.66	3

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

**Table 4 – Short term rates**

	23-01-2026	26-01-2026	Change, bps
Tbill-91 days	5.46	5.46	0
Tbill-182 days	5.63	5.61	(2)
Tbill-364 days	5.67	5.67	0
G-Sec 2Y	5.86	5.85	(1)
India OIS-2M	5.39	5.40	1
India OIS-9M	5.52	5.54	2
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.64	3.65	1

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

**Table 5 – Liquidity**

Rs tn	22-01-2026	23-01-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(0.1)	0.6	0.7

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

**Table 6 – Capital market flows**

	21-01-2026	22-01-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(145.6)	(68.3)	77.2
Debt	(37.6)	178.9	216.5
Equity	(108.0)	(247.2)	(139.2)
Mutual funds (Rs cr)	(7,521.1)	(1,794.0)	5,727.1
Debt	(9,418.7)	(5,232.3)	4,186.4
Equity	1,897.7	3,438.4	1,540.7

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 20 Jan and 21 Jan 2026, Markets in India were closed on 26 Jan 2026

- Oil prices fell as demand concerns reappeared amidst fears of elevated tariffs.

**Table 7 – Commodities**

	23-01-2026	26-01-2026	Change, %
Brent crude (US\$/bbl)	65.9	65.6	(0.4)
Gold (US\$/ Troy Ounce)	4,987.5	5,008.7	0.4
Copper (US\$/ MT)	13,048.9	13,127.9	0.6
Zinc (US\$/MT)	3,227.9	3,316.1	2.7
Aluminium (US\$/MT)	3,169.0	3,188.5	0.6

Source: Bloomberg, Bank of Baroda Research



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