

MORNING MOCHA

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Aditi Gupta

Global markets remained largely subdued, a day after US strikes on Iran. In US, the Conference Board consumer confidence index dipped to 93.1 in May'26 due to increasing price pressures. In Japan, BoJ's new index to measure core inflation edged up to 2.8% in Apr'26 from 2.5% in Mar'26, and above the BoJ's 2% target. BoJ Governor stated that even a transitory energy price shock can have second round effects. Hawkish comments from BoJ officials recently have raised expectations of a rate hike in Jun'26. Separately, Reserve Bank of New Zealand kept rates steady, but hinted at future hikes. A key ECB board member too advocated for a rate hike in the next meeting amidst inflationary concerns. In Australia, headline CPI eased to 4.2% in Apr'26 from 4.6%, due to tax cut on fuels. Underlying price pressures were visible as core inflation ticked higher. Industrial profits in China rose sharply by 24.7% in Apr'26 (15.8% in Mar'26), led by strong profit growth in high-tech manufacturing sector.

- S&P 500 and FTSE got support from a tech driven rally. Nikkei edged down tracking comments of BoJ Deputy Governor on rising inflationary pressures. Sensex also moderated, led by consumer durables stocks. It is trading further lower today while Asian stocks are trading mixed.

Table 1 – Stock markets

	25-05-2026	26-05-2026	Change, %
Dow Jones	50,580	50,462	(0.2)
S & P 500	7,473	7,519	0.6
FTSE	10,466	10,491	0.2
Nikkei	65,158	64,996	(0.2)
Hang Seng	25,606	25,599	0
Shanghai Comp	4,153	4,145	(0.2)
Sensex	76,489	76,010	(0.6)
Nifty	24,032	23,914	(0.5)

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

- Global currencies ended weaker. DXY dipped as US consumer confidence declined in May'26. INR dipped by 0.5% as oil prices edged up once again. It is trading further weaker today, in line with other Asian currencies.

Table 2 – Currencies

	25-05-2026	26-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1644	1.1631	(0.1)
GBP/USD (1 GBP / USD)	1.3504	1.3446	(0.4)
USD/JPY (JPY / 1 USD)	158.91	159.30	(0.2)
USD/INR (INR / 1 USD)	95.24	95.69	(0.5)
USD/CNY (CNY / 1 USD)	6.7832	6.7861	0
DXY Index	99.24	99.17	(0.1)

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



- 10Y yield in the US softened considerably tracking the change of guard in Fed. UK's 10Y yield moderated tracking CBI reported sales data. Japan's 10Y yield inched up amidst hawkish comments from BoJ officials. India's 10Y yield fell by 3bps. It is trading stable today.

Table 3 – Bond 10Y yield

	25-05-2026	26-05-2026	Change, bps
US	4.56	4.48	(7)
UK	4.90	4.88	(2)
Germany	2.95	2.98	3
Japan	2.70	2.73	2
China	1.75	1.75	0
India	7.03	6.99	(3)

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

Table 4 – Short term rates

	25-05-2026	26-05-2026	Change, bps
Tbill-91 days	5.50	5.49	(1)
Tbill-182 days	5.78	5.73	(5)
Tbill-364 days	5.89	5.89	0
G-Sec 2Y	6.48	6.36	(12)
India OIS-2M	5.53	5.53	0
India OIS-9M	6.00	5.99	(1)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.51	3.55	4

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	25-05-2026	26-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.6	0.5	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	22-05-2026	25-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(497.7)	233.8	731.5
Debt	50.4	3.3	(47.1)
Equity	(548.1)	230.5	778.6
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 increased by 3.6% as tensions between US and Iran resurfaced.

Table 7 – Commodities

	25-05-2026	26-05-2026	Change, %
Brent crude (US\$/bbl)	96.1	99.6	3.6
Gold (US\$/ Troy Ounce)	4,570.5	4,507.9	(1.4)
Copper (US\$/ MT)	13,614.8	13,565.7	(0.4)
Zinc (US\$/MT)	3,530.3	3,515.5	(0.4)
Aluminium (US\$/MT)	3,649.5	3,672.5	0.6

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com