MORNING MOCHA

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Economist
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In the US, consumer confidence slipped (3rd month in a row) to 90.8 in Jul'26 from 92.2 in Jun'26. The pessimism was on account of weakness noted in business and labour market conditions given the ongoing geopolitical uncertainties. On the domestic front, India's industrial production surged to a near 2-year high at 7.3% in Jun'26 (2.2% in Jun'25) driven by expansion in manufacturing (7.8%) and electricity and gas sector (10.6%). Electrical equipment and auto output were amongst the biggest contributors. Separately, BIS in its latest bulletin stated about the economic implications of AI. It was noted that given the advancements, it will become difficult for central bankers to gauge the state of the economy and set rates as both demand and supply will be impacted because of AI boom. The recent uptick in AI spending, financed through debt could add to inflationary pressure.

- Global indices closed mixed. US indices advanced, supported by strong corporate earnings and lower oil prices. Nikkei tumbled amidst sell off in technology stocks. Sensex slipped with losses in capital good and power stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

Table 1 – Stock markets

	27-07-2026	28-07-2026	Change, %
Dow Jones	52,210	52,747	1.0
S & P 500	7,413	7,429	0.2
FTSE	10,782	10,871	0.8
Nikkei	64,931	62,365	(4.0)
Hang Seng	25,207	25,311	0.4
Shanghai Comp	3,858	3,813	(1.2)
Sensex	76,836	76,766	(0.1)
Nifty	23,996	23,985	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by (-) 0.1%, noting expectations of Fed holding rates steady today and dip in consumer confidence. EUR benefitted and gained by 0.2%, as Sep'26 rate hike by ECB is almost certain. INR remains steady. It is trading stronger today, while other Asian peers are trading mixed.

Table 2 – Currencies

	27-07-2026	28-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1369	1.1387	0.2
GBP/USD (1 GBP / USD)	1.3289	1.3289	0
USD/JPY (JPY / 1 USD)	163.75	163.85	(0.1)
USD/INR (INR / 1 USD)	95.90	95.86	0
USD/CNY (CNY / 1 USD)	6.7637	6.7702	(0.1)
DXY Index	101.54	101.42	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except India and China, other global yields ended lower. UK's 10Y yield fell the most (-5bps), followed by US 10Y yield (-4bps). Investors await Fed's rate decision and are also monitoring continued correction in oil prices. BoE is expected to keep rates on hold well into CY27 as well. India's 10Y yield remained unchanged, awaiting more clarity on US-Iran talk.

Table 3 – Bond 10Y yield

	27-07-2026	28-07-2026	Change, bps
US	4.65	4.61	(4)
UK	5.00	4.94	(5)
Germany	3.13	3.10	(3)
Japan	2.79	2.79	0
China	1.73	1.73	0
India	6.77	6.78	0

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	27-07-2026	28-07-2026	Change, bps
Tbill-91 days	5.26	5.29	3
Tbill-182 days	5.52	5.55	3
Tbill-364 days	5.68	5.71	3
G-Sec 2Y	6.20	6.22	2
India OIS-2M	5.37	5.37	0
India OIS-9M	5.77	5.76	(1)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.64	3.64	0

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	27-07-2026	28-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.0	1.1	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	24-07-2026	27-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(487.3)	8.4	495.7
Debt	(132.2)	147.9	280.0
Equity	(355.1)	(139.4)	215.7
Mutual funds (Rs cr)	2,991.0	1,133.9	(1,857.1)
Debt	795.4	(1,947.5)	(2,742.8)
Equity	2,195.6	3,081.3	885.7

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 23 Jul and 24 Jul 2026

- Oil prices have fallen further, as news reports indicate that a proposal has been sent to Iran to manage the Strait of Hormuz with cooperation of Gulf countries.

Table 7 – Commodities

	27-07-2026	28-07-2026	Change, %
Brent crude (US$/bbl)	88.4	84.1	(4.8)
Gold (US$/ Troy Ounce)	4,076.3	4,029.6	(1.1)
Copper (US$/ MT)	13,770.6	13,715.2	(0.4)
Zinc (US$/MT)	3,684.8	3,638.1	(1.3)
Aluminium (US$/MT)	3,167.5	3,147.5	(0.6)

Source: Bloomberg, Bank of Baroda Research

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