

MORNING MOCHA

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ECONOMIST

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In latest development, there have been again signs of escalation of Middle East crisis, with US President's recent speech hinting towards the same. This has wiped out the optimism in earlier trading session. Taking cues, Brent prices rose by 4.9% in today's trading session and is trading at US\$ 106/bbl (after its previous session of steep fall). DXY has also firmed up by 0.3% amidst safe-haven demand. Asian stocks are also trading lower erasing gains of previous session. On macro front, there has been respite, ADP employment change in the US rose more than expected by 62k in Mar'26. Core retail sales of the region also picked up sequentially in Feb'26. ISM manufacturing data remained buoyant at 52.7 in Mar'26. Elsewhere, manufacturing PMI in UK, Germany and Japan remain well above the expansionary 50-mark. On domestic front, markets will wait for the RBI policy for direction on rates.

- Global stocks rose on the possibility of an end to the war in Middle East. Nikkei rose the most as business optimism among large manufacturers increased. US indices rose tracking an uptick in retail sales. Sensex also rose, led by gains in capital goods stocks. However, tracking US President's latest comments, Sensex and other Asian markets are closing weaker today.

Table 1 – Stock markets

	31-03-2026	1-04-2026	Change, %
Dow Jones	46,342	46,566	0.5
S & P 500	6,529	6,575	0.7
FTSE	10,176	10,365	1.9
Nikkei	51,064	53,740	5.2
Hang Seng	24,788	25,294	2.0
Shanghai Comp	3,892	3,949	1.5
Sensex	71,948	73,134	1.6
Nifty	22,331	22,679	1.6

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended stronger. DXY fell by 0.3% as risk sentiment improved. GBP rose the most by 0.6%, followed by EUR and CNY which both gained 0.3%. INR is trading sharply stronger today supported by RBI's regulatory changes. Asian currencies are trading weaker.

Table 2 – Currencies

	31-03-2026	1-04-2026	Change, %
EUR/USD (1 EUR / USD)	1.1553	1.1589	0.3
GBP/USD (1 GBP / USD)	1.3227	1.3305	0.6
USD/JPY (JPY / 1 USD)	158.72	158.82	(0.1)
USD/INR (INR / 1 USD)	94.82	94.83	0
USD/CNY (CNY / 1 USD)	6.8944	6.8755	0.3
DXY Index	99.96	99.65	(0.3)

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 1 Apr 2026



- UK's 10Y yield fell at the sharpest pace by 9bps tracking comments of BoE Governor as he pointed out that traders are getting ahead of the curve by pricing in rate hike. 10Y yields in Japan and Germany also softened while US closed stable. India's 10Y yield is trading 3bps higher at 7.07% today.

Table 3 – Bond 10Y yield

	31-03-2026	1-04-2026	Change, bps
US	4.32	4.32	0
UK	4.92	4.83	(9)
Germany	3.00	2.99	(2)
Japan	2.35	2.31	(4)
China	1.82	1.82	0
India	6.94	7.04	9

Source: Bloomberg, Bank of Baroda Research , Note: Indian markets were closed on 1 Apr 2026

Table 4 – Short term rates

	31-03-2026	1-04-2026	Change, bps
Tbill-91 days	5.43	5.38	(5)
Tbill-182 days	5.54	5.53	(1)
Tbill-364 days	5.65	5.64	(1)
G-Sec 2Y	6.34	6.37	3
India OIS-2M	5.62	5.62	0
India OIS-9M	6.06	6.06	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.63	3.68	5

Source: Bloomberg, Bank of Baroda Research , Note: Indian markets were closed on 1 Apr 2026

Table 5 – Liquidity

Rs tn	31-03-2026	1-04-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.5	1.8	(0.7)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	25-03-2026	27-03-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(214.5)	(237.3)	(22.9)
Debt	(47.9)	181.8	229.6
Equity	(166.6)	(419.1)	(252.5)
Mutual funds (Rs cr)	3,580.9	(145.8)	(3,726.7)
Debt	(7.9)	(4,444.4)	(4,436.4)
Equity	3,588.8	4,298.6	709.8

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 19 & 20th Mar 2026

- Oil prices eased on expectations of a possible resolution of the US-Iran conflict.

Table 7 – Commodities

	31-03-2026	1-04-2026	Change, %
Brent crude (US\$/bbl)	118.4	101.2	(14.5)
Gold (US\$/ Troy Ounce)	4,668.1	4,758.6	1.9
Copper (US\$/ MT)	12,256.8	12,349.1	0.8
Zinc (US\$/MT)	3,220.2	3,281.3	1.9
Aluminium (US\$/MT)	3,467.0	3,531.5	1.9

Source: Bloomberg, Bank of Baroda Research



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