## MORNING MOCHA

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In line with expectations, US Fed kept benchmark rates unchanged (5th meeting in a row) at 3.50-3.75%. Interestingly, in a first split vote, 3 members out of 12 marked their dissent in favour of 25bps rate hike. The Fed Chair, Kevin Warsh stated that key goal remains keeping 'inflation at manageable levels' as they continue to work towards achieving the target 2% mark and also stated 'This Fed will not waver'. He also added that this decision should not be read as a 'pause' and this is more of the review of the economy. Analyst are divided on next rate decision and are now pricing in a much higher likelihood of keeping rates hold in Sep meeting than estimated earlier. Separately, Australia's CPI came in softer than expected ta 3.8% in Jun'26 against 4% in May'26. The downward shift has dialled down rate expectation by RBA. Geopolitical tension resurfaced amidst renewed hostilities between US-Iran.

- Barring US and Japan's indices, other global indices closed higher as investors monitored Fed's rate decision. Dow Jones was down as AI related stocks continue to decline. Sensex rebounded with gains in metal and IT related stocks. However, it is trading lower today in line with other Asian stocks.

**Table 1 – Stock markets**

| | 28-07-2026 | 29-07-2026 | Change, % |
|---|---|---|---|
| Dow Jones | 52,747 | 51,594 | (2.2) |
| S & P 500 | 7,429 | 7,316 | (1.5) |
| FTSE | 10,871 | 10,908 | 0.3 |
| Nikkei | 62,365 | 61,434 | (1.5) |
| Hang Seng | 25,311 | 25,808 | 2.0 |
| Shanghai Comp | 3,813 | 3,828 | 0.4 |
| Sensex | 76,766 | 77,655 | 1.2 |
| Nifty | 23,985 | 24,250 | 1.1 |

Source: Bloomberg, Bank of Baroda Research

- Global currencies rose against the US$. DXY ended flat, as investors await more cues from US inflation data of July and August to determine if Fed will hike rates in Sep'26. EUR and GBP benefitted the most. INR too appreciated by 0.2%. It is trading further stronger today, in line with other Asian peers.

**Table 2 – Currencies**

| | 28-07-2026 | 29-07-2026 | Change, % |
|---|---|---|---|
| EUR/USD (1 EUR / USD) | 1.1387 | 1.1467 | 0.7 |
| GBP/USD (1 GBP / USD) | 1.3289 | 1.3370 | 0.6 |
| USD/JPY (JPY / 1 USD) | 163.85 | 163.41 | 0.3 |
| USD/INR (INR / 1 USD) | 95.86 | 95.65 | 0.2 |
| USD/CNY (CNY / 1 USD) | 6.7702 | 6.7642 | 0.1 |
| DXY Index | 101.42 | 101.43 | 0 |

Source: Bloomberg, Bank of Baroda Research

- Except Japan and China, other global yields ended higher. US 10Y yield rose by 7bps, as investors digested Fed's commentary on risks to inflation and 3 members voting for a 25bps hike. Additionally, steep rise in oil prices also impacted investor sentiments. India's 10Y yield was also up by 2bps, tracking global cues. It is trading steady at 6.80%.

### Table 3 – Bond 10Y yield

| | 28-07-2026 | 29-07-2026 | Change, bps |
|---|---|---|---|
| US | 4.61 | 4.68 | 7 |
| UK | 4.94 | 5.04 | 9 |
| Germany | 3.10 | 3.16 | 6 |
| Japan | 2.79 | 2.77 | (2) |
| China | 1.73 | 1.73 | 0 |
| India | 6.78 | 6.80 | 2 |

Source: Bloomberg, Bank of Baroda Research

### Table 4 – Short term rates

| | 28-07-2026 | 29-07-2026 | Change, bps |
|---|---|---|---|
| Tbill-91 days | 5.29 | 5.33 | 4 |
| Tbill-182 days | 5.55 | 5.58 | 3 |
| Tbill-364 days | 5.71 | 5.72 | 1 |
| G-Sec 2Y | 6.22 | 6.21 | 0 |
| India OIS-2M | 5.37 | 5.38 | 1 |
| India OIS-9M | 5.76 | 5.80 | 4 |
| SONIA int rate benchmark | 3.73 | 3.73 | 0 |
| US SOFR | 3.64 | 3.65 | 1 |

Source: Bloomberg, Bank of Baroda Research

### Table 5 – Liquidity

| Rs tn | 28-07-2026 | 29-07-2026 | Change (Rs tn) |
|---|---|---|---|
| Net Liquidity (-deficit/+surplus) | 1.1 | 1.2 | 0.1 |

Source: RBI, Bank of Baroda Research

### Table 6 – Capital market flows

| | 27-07-2026 | 28-07-2026 | change (US$ mn/Rs cr) |
|---|---|---|---|
| FII (US$ mn) | 8.4 | (169.2) | (177.7) |
| Debt | 147.9 | (110.4) | (258.3) |
| Equity | (139.4) | (58.8) | 80.6 |
| 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 jumped sharply, following revival in tensions between US and Iran.

### Table 7 – Commodities

| | 28-07-2026 | 29-07-2026 | Change, % |
|---|---|---|---|
| Brent crude (US$/bbl) | 84.1 | 90.7 | 7.9 |
| Gold (US$/ Troy Ounce) | 4,029.6 | 4,067.6 | 0.9 |
| Copper (US$/ MT) | 13,715.2 | 13,605.0 | (0.8) |
| Zinc (US$/MT) | 3,638.1 | 3,628.2 | (0.3) |
| Aluminium (US$/MT) | 3,147.5 | 3,180.0 | 1.0 |

Source: Bloomberg, Bank of Baroda Research

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