MORNING MOCHA

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Economist
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Fed Chair in his recent Jackson Hole speech refrained from providing any forward guidance on Fed fund rate. However, the continued emphasis on maintaining the price stability mandate and mentioning that price pressure have remained elevated, hinted at a hawkish policy outlook. CME Fedwatch tool now attaches a 57% probability of a rate hike in Sep'26 which was just 39.9%, a week earlier. Elsewhere, to support Yen, government had spent a record ¥15.4tn in currency intervention, as per data released by its Finance Ministry. China has announced a host of measures to support its real estate sector. The measures were targeted at supporting developers through equity and bond sales as well as extending the maximum mortgage term for homebuyers to 40 years from the current cap of 30 years. On domestic front, forex reserves has reached its record high level of US$ 729.3bn as on 21 Aug 2026. Since 5th Jun, forex accretion has been US$ 47.7bn.

- US stocks declined as investors monitored comments from the Fed Chair. In Asia, Nikkei rose by 0.4% led by gains in technology stocks. Sensex rose by 0.4% with gains concentrated in the tech shares. It is however trading lower today, in line with other Asian stocks tracking geopolitical tensions.

Table 1 – Stock markets

	27-08-2026	28-08-2026	Change, %
Dow Jones	53,569	53,560	0
S & P 500	7,731	7,712	(0.2)
FTSE	10,793	10,824	0.3
Nikkei	66,132	66,406	0.4
Hang Seng	25,566	25,585	0.1
Shanghai Comp	3,957	3,952	(0.1)
Sensex	76,934	77,265	0.4
Nifty	24,091	24,176	0.4

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies dipped as the dollar strengthened. DXY received support from hawkish comments from Fed Chair. Amongst major currencies, EUR depreciated the most by 0.6%. INR appreciated by 0.2% as oil prices eased. It is trading further higher today, in line with Asian currencies.

Table 2 – Currencies

	27-08-2026	28-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1653	1.1585	(0.6)
GBP/USD (1 GBP / USD)	1.3593	1.3538	(0.4)
USD/JPY (JPY / 1 USD)	159.39	160.09	(0.4)
USD/INR (INR / 1 USD)	95.55	95.39	0.2
USD/CNY (CNY / 1 USD)	6.7199	6.7301	(0.2)
DXY Index	99.16	99.70	0.5

Source: Bloomberg, Bank of Baroda Research

- Except China (tad lower), global yields inched up. The anticipation of a tighter policy following comments of Fed Chair and ECB officials, led to sell off in the sovereign debt market. India's 10Y yield rose by 2bps, tracking auction results. It is trading further higher at 6.95% today, tracking escalated tensions between US and Iran.

Table 3 – Bond 10Y yield

	27-08-2026	28-08-2026	Change, bps
US	4.68	4.72	4
UK	5.03	5.06	3
Germany	3.25	3.28	3
Japan	2.91	2.93	3
China	1.71	1.70	(1)
India	6.89	6.91	2

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	27-08-2026	28-08-2026	Change, bps
Tbill-91 days	5.27	5.28	1
Tbill-182 days	5.60	5.61	1
Tbill-364 days	5.77	5.79	2
G-Sec 2Y	6.26	6.28	1
India OIS-2M	5.33	5.36	3
India OIS-9M	5.78	5.79	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	27-08-2026	28-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.7	4.9	1.2

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	25-08-2026	27-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	314.8	(23.9)	(338.7)
Debt	16.2	(115.5)	(131.7)
Equity	298.6	91.6	(207.0)
Mutual funds (Rs cr)	(2,183.2)	10,525.5	12,708.7
Debt	(6,975.6)	5,953.7	12,929.3
Equity	4,792.4	4,571.8	(220.5)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 12 & 13 Aug

- Oil prices declined amidst possibility of a deal aimed at ending the blockade of Strait of Hormuz. However, it is trading higher today amidst renewed tensions.

Table 7 – Commodities

	27-08-2026	28-08-2026	Change, %
Brent crude (US$/bbl)	89.7	89.3	(0.4)
Gold (US$/ Troy Ounce)	4,599.2	4,455.1	(3.1)
Copper (US$/ MT)	14,453.9	14,445.6	(0.1)
Zinc (US$/MT)	4,115.8	4,084.0	(0.8)
Aluminium (US$/MT)	3,234.5	3,242.0	0.2

Source: Bloomberg, Bank of Baroda Research

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