MORNING MOCHA

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Economist
Jahnavi Prabhakar

Amidst renewed hope of peace in the Middle East, crude prices took a breather and were down by 11% and trading at ~ 105/bbl in today's session. On macro front, US manufacturing PMI (ISM) registered an uptick at 55.5 in Oct'26 from 54.5 in Sep'26 on the back of strong domestic demand. Factory production jumped to 59, highest since Nov'21, with over 12 factories reporting higher growth. The new orders were also up (55.5 from 55.3) led by higher exports. Investors this week will turn their focus towards the upcoming mid-term election which is expected to guide the markets and future trajectory of policies. On domestic front, India's manufacturing PMI expanded at a tad slower pace in Oct'26 to 54.7 from 55.1 in Sep'26. The dip has been reflected in output and new orders. Despite the moderation, it remains in the expansionary zone and the same has been noted with pickup in new business.

- Barring S&P 500 and Nikkei, other global markets closed higher. Dow Jones inched up as oil prices slid and investors tracking upcoming midterm election. Amongst other indices, Sensex was the biggest gainer led by oil & gas and metal stocks. It is trading higher today, while Asian stocks are trading mixed.

Table 1 – Stock markets

	30-10-2026	02-11-2026	Change, %
Dow Jones	51,770	51,984	0.4
S & P 500	7,580	7,541	(0.5)
FTSE	10,730	10,761	0.3
Nikkei	63,290	63,082	(0.3)
Hang Seng	23,294	23,393	0.4
Shanghai Comp	3,599	3,638	1.1
Sensex	74,460	75,693	1.7
Nifty	23,053	23,441	1.7

Source: Bloomberg, Bank of Baroda Research

- Barring JPY, global currencies ended higher. DXY softened amidst positive sentiments over likely progress in peace talks between US and Iran. EUR inched up the most by 0.2% albeit a moderation in retail sales data in Germany. JPY edged down tracking comments of FM over likely intervention. INR closed a tad higher. It is trading lower today, while Asian currencies are trading mixed.

Table 2 – Currencies

	30-10-2026	02-11-2026	Change, %
EUR/USD (1 EUR / USD)	1.1160	1.1187	0.2
GBP/USD (1 GBP / USD)	1.3391	1.3406	0.1
USD/JPY (JPY / 1 USD)	157.56	157.94	(0.2)
USD/INR (INR / 1 USD)	94.96	94.90	0.1
USD/CNY (CNY / 1 USD)	6.6549	6.6483	0.1
DXY Index	101.88	101.75	(0.1)

Source: Bloomberg, Bank of Baroda Research

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- Global yields broadly softened tracking decline in international oil prices. UK's 10Y yield showed the maximum downward correction. Going forward, the outcome of US mid-term elections will be the main guiding factor. India's 10Y yield also fell sharply by 10bps in line with global yields. It is trading further lower at 7.29% today.

Table 3 – Bond 10Y yield

	30-10-2026	02-11-2026	Change, bps
US	4.93	4.91	(2)
UK	5.28	5.19	(9)
Germany	3.32	3.29	(3)
Japan	2.78	2.78	0
China	1.64	1.63	(1)
India	7.41	7.32	(10)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	30-10-2026	02-11-2026	Change, bps
Tbill-91 days	5.91	5.91	0
Tbill-182 days	6.54	6.44	(10)
Tbill-364 days	6.66	6.54	(12)
G-Sec 2Y	7.03	7.04	1
India OIS-2M	5.91	5.88	(3)
India OIS-9M	6.57	6.52	(5)
SONIA int rate benchmark	3.74	3.73	0
US SOFR	3.94	3.95	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	30-10-2026	02-11-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.4	2.0	0.6

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	29-10-2026	30-10-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(32.4)	381.5	413.9
Debt	51.8	(86.5)	(138.3)
Equity	(84.2)	468.0	552.2
Mutual funds (Rs cr)	(6,818.0)	(6,453.7)	364.2
Debt	(9,620.3)	(8,044.2)	1,576.1
Equity	2,802.3	1,590.5	(1,211.8)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 23rd and 26rd Oct

- Oil prices fell sharply amidst growing optimism over likely negotiation between US and Iran.

Table 7 – Commodities

	30-10-2026	02-11-2026	Change, %
Brent crude (US$/bbl)	117.6	104.8	(10.9)
Gold (US$/ Troy Ounce)	3,874.6	3,946.3	1.9
Copper (US$/ MT)	14,329.4	14,497.7	1.2
Zinc (US$/MT)	3,913.3	3,966.4	1.4
Aluminium (US$/MT)	3,069.0	3,094.0	0.8

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