MORNING MOCHA

03 September 2026

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Global markets continued to be unnerved surrounding war related uncertainty, with recent commentary by US President pointing towards current situation being short lived. JPY intraday jump led to speculation about likely currency intervention by BoJ. Market is widely pricing in a rate hike in the next monetary policy meeting. On macro front, ADP employment change data in the US softened to 38K in Aug'26, signalling weakness in labour market conditions. On the other hand, durable goods and factory orders of the region remained stable. Elsewhere, services PMI data in both Japan (53.5) and China (51.4) posted a better reading in Aug'26. On domestic front, total forex inflow through the FCNR (B), OFCBs and ECBs came in at US$ 136bn (8 Jun-31 Aug) with FCNR (B) inflows at US$ 127bn, far exceeding market expectations. This would provide a huge boost to our external balance.

- Stocks in the US advanced despite a slowdown in US private sector job additions. Elsewhere, investors continued to monitor the situation in the Middle East, elevated oil prices and higher bond yields. Nikkei declined the most. Sensex dipped by 0.5% amidst losses in auto and capital goods stocks. It is however trading higher today, in line with other Asian stocks.

Table 1 – Stock markets

	01-09-2026	02-09-2026	Change, %
Dow Jones	52,767	53,062	0.6
S & P 500	7,631	7,667	0.5
FTSE	10,789	10,756	(0.3)
Nikkei	66,215	64,326	(2.9)
Hang Seng	25,330	25,311	(0.1)
Shanghai Comp	3,980	3,941	(1.0)
Sensex	76,944	76,570	(0.5)
Nifty	24,056	23,914	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY declined tracking lower private payroll data. JPY rose the most on increased bets of a rate hike by BoJ. INR was broadly steady. However, it is trading stronger today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	01-09-2026	02-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1593	1.1588	0
GBP/USD (1 GBP / USD)	1.3516	1.3486	(0.2)
USD/JPY (JPY / 1 USD)	160.18	158.71	0.9
USD/INR (INR / 1 USD)	94.95	94.98	0
USD/CNY (CNY / 1 USD)	6.7208	6.7192	0
DXY Index	99.68	99.60	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields traded in a narrow range. US 10Y yield softened tracking weaker labour market data. Germany's 10Y yield rose by 3bps tracking comments of one of the ECB officials about rising borrowing cost. India's 10Y yield rose by 2bps, tracking international oil prices. It is trading lower at 6.95% today.

Table 3 – Bond 10Y yield

	01-09-2026	02-09-2026	Change, bps
US	4.80	4.78	(2)
UK	5.22	5.23	1
Germany	3.34	3.38	3
Japan	3.01	3.03	2
China	1.68	1.69	1
India	6.96	6.98	2

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	01-09-2026	02-09-2026	Change, bps
Tbill-91 days	5.24	5.25	1
Tbill-182 days	5.62	5.64	2
Tbill-364 days	5.81	5.90	9
G-Sec 2Y	6.28	6.27	0
India OIS-2M	5.37	5.37	0
India OIS-9M	5.86	5.86	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.68	3.66	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	01-09-2026	02-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	7.8	9.7	1.9

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	31-08-2026	01-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(591.1)	202.8	793.9
Debt	(21.9)	16.9	38.8
Equity	(569.2)	186.0	755.1
Mutual funds (Rs cr)	8,393.5	4,828.2	(3,565.3)
Debt	3,656.0	331.1	(3,325.0)
Equity	4,737.5	4,497.1	(240.4)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 28th & 31st Aug

- Oil prices climbed up further as tensions between US and Iran remained elevated.

Table 7 – Commodities

	01-09-2026	02-09-2026	Change, %
Brent crude (US$/bbl)	94.7	95.6	1.0
Gold (US$/ Troy Ounce)	4,328.8	4,381.7	1.2
Copper (US$/ MT)	14,405.6	14,303.1	(0.7)
Zinc (US$/MT)	4,062.9	3,978.7	(2.1)
Aluminium (US$/MT)	3,281.0	3,283.5	0.1

Source: Bloomberg, Bank of Baroda Research

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