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Bank of Baroda

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Economist
Dipanwita Mazumdar

Global markets remained watchful of the geopolitical developments. Oil prices underwent sharp correction (-7%) in yesterday's session amidst reports of some ongoing negotiation between US and Iran. On macro front, PMI readings gave mixed picture albeit remaining above the expansionary mark. In the US, ISM manufacturing print picked up to 55.6 in Jul'26 compared to its previous reading of 53.3. This was buoyed by new orders. Employment index also inched up. UK's data showed some moderation to 51.9 from previous level of 52.8. So was Japan (54.5 from 54.7) and China's (50.9 from 51.7). For Germany, it was stable at 52.2. On monetary policy, New York Fed President spoke of the current rate being "well positioned". US treasury Secretary spoke of coordinated intervention with BoJ to support yen in the near term. On domestic front, system liquidity is showing improvement.

- Global stocks ended mixed as investors assessed developments in the US-Iran conflict. Comments from US President on talks with Iran and a strong PMI report lifted US stocks higher. On the other hand, FTSE ended lower tracking a dip in UK's manufacturing PMI. Sensex edged up led by gains in technology and FMCG stocks. It is trading further higher today, in line with other Asian indices.

Table 1 – Stock markets

	31-07-2026	03-08-2026	Change, %
Dow Jones	52,485	53,178	1.3
S & P 500	7,490	7,601	1.5
FTSE	10,868	10,858	(0.1)
Nikkei	64,362	63,755	(0.9)
Hang Seng	25,884	26,009	0.5
Shanghai Comp	3,832	3,810	(0.6)
Sensex	78,095	78,639	0.7
Nifty	24,384	24,774	1.6

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY closed flat awaiting US jobs report. GBP dipped the most as UK's manufacturing PMI fell to a 4-month low. JPY edged up amidst intervention by US and Japan. INR appreciated supported by a fall in oil prices. It is trading further stronger today, in line with other Asian currencies.

Table 2 – Currencies

	31-07-2026	03-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1527	1.1509	(0.2)
GBP/USD (1 GBP / USD)	1.3483	1.3433	(0.4)
USD/JPY (JPY / 1 USD)	157.40	157.18	0.1
USD/INR (INR / 1 USD)	95.39	95.34	0.1
USD/CNY (CNY / 1 USD)	6.7531	6.7558	0
DXY Index	99.91	99.90	0

Source: Bloomberg, Bank of Baroda Research

- UK's 10Y yield fell at the sharpest pace followed by US and Germany's. This was on account of sharp decline in oil prices. Elsewhere in Japan, 10Y yield rose by 3bps tracking the movement of yen. China and India's 10Y yield closed stable. India's 10Y yield is trading at 6.84% today, ahead of the RBI policy.

Table 3 – Bond 10Y yield

	31-07-2026	03-08-2026	Change, bps
US	4.73	4.68	(6)
UK	5.05	4.95	(10)
Germany	3.21	3.15	(5)
Japan	2.81	2.84	3
China	1.72	1.71	0
India	6.84	6.83	0

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	31-07-2026	03-08-2026	Change, bps
Tbill-91 days	5.32	5.30	(2)
Tbill-182 days	5.59	5.57	(2)
Tbill-364 days	5.72	5.70	(2)
G-Sec 2Y	6.20	6.21	1
India OIS-2M	5.39	5.37	(2)
India OIS-9M	5.78	5.75	(3)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.65	3.66	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	31-07-2026	03-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.3	2.4	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	30-07-2026	31-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	141.7	196.8	55.2
Debt	(358.5)	55.2	413.6
Equity	500.1	141.7	(358.5)
Mutual funds (Rs cr)	(2,159.2)	451.9	2,611.1
Debt	(1,387.2)	(26.4)	1,360.9
Equity	(772.0)	478.2	1,250.2

Source: Bloomberg, Bank of Baroda Research

- Oil prices declined amidst hopes of a deal between US and Iran.

Table 7 – Commodities

	31-07-2026	03-08-2026	Change, %
Brent crude (US$/bbl)	90.1	83.8	(7.0)
Gold (US$/ Troy Ounce)	4,046.2	4,054.3	0.2
Copper (US$/ MT)	13,835.7	13,943.6	0.8
Zinc (US$/MT)	3,708.6	3,700.8	(0.2)
Aluminium (US$/MT)	3,184.0	3,221.5	1.2

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