

MORNING MOCHA

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ECONOMIST

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In the US, services PMI (ISM) expanded at much faster pace 54.5 level in May'26 from 53.6 in Apr'26. This was led by pick up in business activity with a reading of 57.7 (second highest) and jump in new orders (3rd highest reading). In addition, price paid index component, edged up to 71.3 from 70.7, while employment index slipped a tad 47.9 (from 48). On the jobs front, private payroll (ADP) picked up pace, more than anticipated as it added 122k in May'26 compared with 105k addition in Apr'26. The job gains were more broad-based rather than being concentrated in few sectors. Education and health care had the biggest hires with 57k, followed by trade and transportation with 36k and business services contributing 11k. In India, Union Cabinet has approved one-time support of Rs 10,000cr as interest-free advances to OMCs, in order to stabilize surging aviation fuel prices amidst West Asia conflict.

- Global indices closed mixed as conflicting signals emerge with escalated tension around the ongoing geopolitical conflict. US indices slipped as treasury yields hardened with spike in oil prices. Sensex closed lower with losses in IT related stocks. It is trading lower today in line with other Asian stocks.

Table 1 – Stock markets

| | 02-06-2026 | 03-06-2026 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones | 51,308 | 50,687 | (1.2) |
| S & P 500 | 7,610 | 7,554 | (0.7) |
| FTSE | 10,374 | 10,332 | (0.4) |
| Nikkei | 66,734 | 68,402 | 2.5 |
| Hang Seng | 26,038 | 25,633 | (1.6) |
| Shanghai Comp | 4,075 | 4,084 | 0.2 |
| Sensex | 74,650 | 74,346 | (0.4) |
| Nifty | 23,484 | 23,406 | (0.3) |

Source: Bloomberg, Bank of Baroda Research

- Major global currencies depreciated against the US\$. DXY rose by 0.3%, supported by continued strength of the labour market in the US and better than expected factory orders. Tensions in the Middle East also impacted investor sentiments. INR fell by 0.5%, as oil prices continue to inch up. It is trading broadly steady today, while other Asian currencies are trading mixed.

Table 2 – Currencies

| | 02-06-2026 | 03-06-2026 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.1631 | 1.1597 | (0.3) |
| GBP/USD (1 GBP / USD) | 1.3466 | 1.3418 | (0.4) |
| USD/JPY (JPY / 1 USD) | 159.91 | 160.07 | (0.1) |
| USD/INR (INR / 1 USD) | 95.27 | 95.71 | (0.5) |
| USD/CNY (CNY / 1 USD) | 6.7638 | 6.7785 | (0.2) |
| DXY Index | 99.22 | 99.53 | 0.3 |

Source: Bloomberg, Bank of Baroda Research



- Global yields inched up. UK's 10Y yield rose the most, followed by that of Japan and Germany. In Japan, supplementary budget details raised concerned over government's debt position. US 10Y yield also rose by 5bps, as investors monitor upbeat macro data (ADP employment, factory orders) and renewed tensions in the Gulf. India's 10Y yield also rose by 1bps but is trading a tad lower today 7.01%.

Table 3 – Bond 10Y yield

| | 02-06-2026 | 03-06-2026 | Change, bps |
|---------|------------|------------|-------------|
| US | 4.44 | 4.49 | 5 |
| UK | 4.86 | 4.93 | 7 |
| Germany | 2.98 | 3.04 | 6 |
| Japan | 2.58 | 2.64 | 6 |
| China | 1.70 | 1.72 | 1 |
| India | 7.01 | 7.02 | 1 |

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

| | 02-06-2026 | 03-06-2026 | Change, bps |
|--------------------------|------------|------------|-------------|
| Tbill-91 days | 5.51 | 5.55 | 4 |
| Tbill-182 days | 5.70 | 5.77 | 7 |
| Tbill-364 days | 5.98 | 5.98 | 0 |
| G-Sec 2Y | 6.32 | 6.27 | (6) |
| India OIS-2M | 5.47 | 5.48 | 1 |
| India OIS-9M | 5.91 | 5.94 | 3 |
| SONIA int rate benchmark | 3.73 | 3.73 | 0 |
| US SOFR | 3.65 | 3.63 | (2) |

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

| Rs tn | 02-06-2026 | 03-06-2026 | Change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-deficit/+surplus) | 1.1 | 1.7 | 0.6 |

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

| | 01-06-2026 | 02-06-2026 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (431.8) | (822.8) | (391.1) |
| Debt | (28.5) | 18.7 | 47.2 |
| Equity | (403.3) | (841.6) | (438.3) |
| Mutual funds (Rs cr) | (1,006.2) | 6,716.1 | 7,722.3 |
| Debt | 0 | (8,124.3) | (8,124.3) |
| Equity | (1,006.2) | 14,840.5 | 15,846.6 |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 27 May and 29 May 2026

- Oil prices surged as supply strain persists.

Table 7 – Commodities

| | 02-06-2026 | 03-06-2026 | Change, % |
|-------------------------|------------|------------|-----------|
| Brent crude (US\$/bbl) | 96.0 | 97.8 | 1.9 |
| Gold (US\$/ Troy Ounce) | 4,488.9 | 4,434.8 | (1.2) |
| Copper (US\$/ MT) | 14,036.7 | 13,802.4 | (1.7) |
| Zinc (US\$/MT) | 3,624.0 | 3,589.1 | (1.0) |
| Aluminium (US\$/MT) | 3,752.5 | 3,703.5 | (1.3) |

Source: Bloomberg, Bank of Baroda Research



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