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 ECONOMIST
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The elevated geopolitical risk continued to manoeuvre market sentiments, with fresh wave of strikes in Tehran. As per news reports, the reverberation of war also spread across Qatar, Bahrain and Oman. Global equity stocks declined across the board, with South Korea stocks falling the most since global financial crisis of 2008. The upward rally of oil continued. In the last two trading session, oil went up by 15.1% and today it is trading higher by another 1% at ~ 82/bbl, albeit US assurance of safeguarding shipping through Strait of Hormuz. DXY firmed up by 0.7%. On macro front, Australia's GDP firmed up to 2.6%, YoY in Q4 compared to prior level of 2.1%. China's manufacturing PMI edged down a tad to 49 compared to 49.3 last month. However, non-manufacturing PMI rose a tad 49.5 compared to 49.4. On monetary policy front, Fed officials hinted at cautiousness on rates.

- Global stocks witnessed a broad-based sell-off as investor sentiment took a hit amidst the ongoing conflict in Middle East. Investors assessed the impact of the war on oil prices and inflation. Nikkei declined the most by 3.1%. US indices also extended their declines. Sensex dipped by 1.3% in the last trading session and is trading further weaker today. Other Asian markets are also trading in red.

Table 1 – Stock markets

	2-03-2026	3-03-2026	Change, %
Dow Jones	48,905	48,501	(0.8)
S & P 500	6,882	6,817	(0.9)
FTSE	10,780	10,484	(2.7)
Nikkei	58,057	56,279	(3.1)
Hang Seng	26,060	25,768	(1.1)
Shanghai Comp	4,183	4,123	(1.4)
Sensex	81,287	80,239	(1.3)
Nifty	25,179	24,866	(1.2)

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 03-03-2026

- Safe-haven demand pushed DXY higher as the crisis in Middle East intensified. EUR depreciated by 0.6% as inflation in the Eurozone rose unexpectedly in Feb'26. Rising oil prices continue to weigh on INR, which has slipped to a record low in today's session. Other Asian currencies are also trading weaker.

Table 2 – Currencies

	2-03-2026	3-03-2026	Change, %
EUR/USD (1 EUR / USD)	1.1688	1.1613	(0.6)
GBP/USD (1 GBP / USD)	1.3407	1.3358	(0.4)
USD/JPY (JPY / 1 USD)	157.39	157.74	(0.2)
USD/INR (INR / 1 USD)	90.98	91.48	(0.5)
USD/CNY (CNY / 1 USD)	6.9051	6.9181	(0.2)
DXY Index	98.38	99.05	0.7

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 03-03-2026



- Except China (stable), global 10Y yields closed higher. UK's 10Y yield rose the most followed by Japan and Germany. Elevated supply shock and its impact on inflation amidst a disturbed political situation in Middle East impinged on yields. For UK, the 10bps jump in yield was centred around the Spring Statement of FM. India's 10Y yield is trading higher at 6.72% today.

Table 3 – Bond 10Y yield

	2-03-2026	3-03-2026	Change, bps
US	4.03	4.06	2
UK	4.37	4.47	10
Germany	2.71	2.75	4
Japan	2.09	2.14	5
China	1.80	1.80	0
India	6.66	6.68	1

Source: Bloomberg, Bank of Baroda Research , Note: Indian markets were closed on 03-03-2026

Table 4 – Short term rates

	27-02-2026	2-03-2026	Change, bps
Tbill-91 days	5.24	5.22	(2)
Tbill-182 days	5.41	5.42	1
Tbill-364 days	5.51	5.54	3
G-Sec 2Y	5.62	5.61	(1)
India OIS-2M	5.32	5.34	2
India OIS-9M	5.41	5.42	1
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.68	3.71	3

Source: Bloomberg, Bank of Baroda Research , Note: Indian markets were closed on 03-03-2026

Table 5 – Liquidity

Rs tn	27-02-2026	2-03-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.9	2.6	(0.3)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	26-02-2026	27-02-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(286.2)	(446.6)	(160.4)
Debt	(19.0)	154.6	173.5
Equity	(267.2)	(601.1)	(333.9)
Mutual funds (Rs cr)	(511.5)	(5,536.8)	(5,025.3)
Debt	(4,963.4)	(10,261.5)	(5,298.0)
Equity	4,452.0	4,724.7	272.7

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 25 Feb & 26 Feb 2026

- Oil prices rose to a ~14-month high as the crisis in Middle East escalated.

Table 7 – Commodities

	2-03-2026	3-03-2026	Change, %
Brent crude (US\$/bbl)	77.7	81.4	4.7
Gold (US\$/ Troy Ounce)	5,322.1	5,088.8	(4.4)
Copper (US\$/ MT)	13,034.0	12,911.1	(0.9)
Zinc (US\$/MT)	3,296.4	3,250.3	(1.4)
Aluminium (US\$/MT)	3,194.5	3,251.0	1.8

Source: Bloomberg, Bank of Baroda Research



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