MORNING MOCHA

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Economist
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War related concerns continued to baffle global markets with oil prices hovering around US$ 95.9/bbl in today's session. It has risen by ~7.4% in the entire week. Among other market variables, Yen continued to show sharp upswing led by hopes of steeper pace of rate hike by BoJ. On macro front, US trade deficit widened to US$ 88.6bn in Jul'26 compared to US$ 71.2bn in Jun'26. Imports showed sequential increase of 2.8%, while exports declined by -2.1%. Jobless claims data of the region was slightly higher at 206K for the week ending 29 Aug and 4-week moving average remained elevated, signalling some weakness in labour market conditions. Elsewhere, services PMI data remained mixed with US and China posting a better reading, while Germany remaining below the 50-mark. On domestic front, liquidity absorption measures are anticipated as system liquidity is far above 1% NDTL level.

- Global stock indices closed mixed. US indices ended in green, noting easing fears of Fed rate hike in Sep'26 meeting. Gains in FTSE were led by companies tracking strong services PMI data. Markets in Asia however declined. Sensex fell, led by technology and auto stocks. Following global cues, it is trading higher today, in line with other Asian stocks.

Table 1 – Stock markets

	02-09-2026	03-09-2026	Change, %
Dow Jones	53,062	53,686	1.2
S & P 500	7,667	7,748	1.1
FTSE	10,756	10,832	0.7
Nikkei	64,326	64,214	(0.2)
Hang Seng	25,311	25,213	(0.4)
Shanghai Comp	3,941	3,942	0
Sensex	76,570	76,153	(0.5)
Nifty	23,914	23,873	(0.2)

Source: Bloomberg, Bank of Baroda Research

- DXY fell by (-) 0.7%, tracking decline in bond yields and Fed Governor Waller's comments on upcoming rate decision. Yen rose sharply, amidst speculation about BoJ intervention and possible rate hike this month. INR too rose, and is trading even stronger today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	02-09-2026	03-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1588	1.1626	0.3
GBP/USD (1 GBP / USD)	1.3486	1.3525	0.3
USD/JPY (JPY / 1 USD)	158.71	155.81	1.9
USD/INR (INR / 1 USD)	94.98	94.49	0.5
USD/CNY (CNY / 1 USD)	6.7192	6.7183	0
DXY Index	99.60	98.91	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global yields got some breather tracking comments of Fed Governor about a likely steady path of Fed fund rate. UK's 10Y yield fell at the sharpest pace albeit BoE Chief Economist signalling the need for a prompt rate hike to combat inflation. Japan's 10Y yield also fell sharply by 7bps. India's 10Y yield fell a tad. It is trading at the same level today.

Table 3 – Bond 10Y yield

	02-09-2026	03-09-2026	Change, bps
US	4.78	4.77	(1)
UK	5.23	5.13	(10)
Germany	3.38	3.34	(3)
Japan	3.03	2.96	(7)
China	1.69	1.68	(1)
India	6.98	6.97	(1)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	02-09-2026	03-09-2026	Change, bps
Tbill-91 days	5.25	5.20	(5)
Tbill-182 days	5.64	5.53	(11)
Tbill-364 days	5.90	5.89	(1)
G-Sec 2Y	6.27	6.25	(2)
India OIS-2M	5.37	5.37	0
India OIS-9M	5.86	5.85	(1)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.66	3.65	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	02-09-2026	03-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	9.7	10.3	0.6

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	01-09-2026	02-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	202.8	(46.9)	(249.8)
Debt	16.9	53.5	36.6
Equity	186.0	(100.4)	(286.4)
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 remained broadly steady but is trading higher today, as there appear no signs of resolution between US and Iran.

Table 7 – Commodities

	02-09-2026	03-09-2026	Change, %
Brent crude (US$/bbl)	95.6	95.5	(0.1)
Gold (US$/ Troy Ounce)	4,381.7	4,472.9	2.1
Copper (US$/ MT)	14,303.1	14,391.4	0.6
Zinc (US$/MT)	3,978.7	4,051.8	1.8
Aluminium (US$/MT)	3,283.5	3,311.5	0.9

Source: Bloomberg, Bank of Baroda Research

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