

MORNING MOCHA

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ECONOMIST
 Jahnvi Prabhakar

China's services activity expanded at its slowest pace with the reading of 52 in Dec'25 (52.1 in Nov'25). This was on the back of the weaker pace of growth in new businesses, while new exports businesses registered a contraction. Overall, the services sector in CY25 had registered a 'modest growth' even as there were concerns pertaining to volatile external demand. The economy has been witnessing structural challenges, particularly related to the property sector. Government has been taking steps to manage deflationary pressures. This week, analyst will closely monitor the ongoing developments related to the crisis unfolding in Venezuela which might have some impact on crude oil price. US employment data scheduled later this week will offer more guidance on labour markets.

- Except Nikkei, other major equity indices closed higher. Hang Seng, Dow Jones and markets in India rose the most. Investor sentiment in the US was buoyed by a rally in semiconductor stocks, while in HK it was led by tech stocks. Sensex too jumped by 0.7%, driven by power, realty, and metal stocks. Sensex has opened lower today, while other Asian global indices are trading mixed.

Table 1 – Stock markets

	01-1-2026	02-01-2026	Change, %
Dow Jones	48,063	48,382	0.7
S & P 500	6,846	6,858	0.2
FTSE	9,931	9,951	0.2
Nikkei	50,527	50,339	(0.4)
Hang Seng	25,631	26,338	2.8
Shanghai Comp	3,965	3,969	0.1
Sensex	85,189	85,762	0.7
Nifty	26,147	26,329	0.7

Source: Bloomberg, Bank of Baroda Research | Note: Except India, all other markets were closed on 01 Jan 2026; China's markets also closed on 2 Jan

- Global currencies depreciated against the US\$ at the start of the year. INR and EUR fell the most. Disappointing manufacturing PMI data for Eurozone impacted investor sentiments. INR weakened and again breached the 90/\$ mark, driven by dollar demand and capital outflows. It is trading lower today, while Asian currencies are trading mixed.

Table 2 – Currencies

	01-1-2026	02-01-2026	Change, %
EUR/USD (1 EUR / USD)	1.1746	1.1719	(0.2)
GBP/USD (1 GBP / USD)	1.3475	1.3456	(0.1)
USD/JPY (JPY / 1 USD)	156.71	156.84	(0.1)
USD/INR (INR / 1 USD)	89.97	90.20	(0.3)
USD/CNY (CNY / 1 USD)	6.9958	6.9880	0.1
DXY Index	98.32	98.42	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Except India, all other markets were closed on 01 Jan 2026; China's markets also closed on 2 Jan



- Except Japan and China, other major 10Y yields ended higher. German yield rose to its highest since late Oct'23 expecting a record high debt supply this year and evaluating the probability of a rate hike by ECB by end of CY26. In the US, investors are cautious regarding Fed's rate trajectory in CY26. India's 10Y yield also inched up by 2bps, following global cues. It is trading at 6.63% today.

Table 3 – Bond 10Y yield

	01-1-2026	02-01-2026	Change, bps
US	4.17	4.19	2
UK	4.48	4.54	6
Germany	2.86	2.90	4
Japan	2.07	2.07	0
China	1.86	1.86	0
India	6.58	6.61	2

Source: Bloomberg, Bank of Baroda Research | Note: Except India, all other markets were closed on 01 Jan 2026; China's markets also closed on 2 Jan

Table 4 – Short term rates

	01-1-2026	02-01-2026	Change, bps
Tbill-91 days	5.32	5.19	(13)
Tbill-182 days	5.42	5.34	(8)
Tbill-364 days	5.51	5.51	0
G-Sec 2Y	5.76	5.77	2
India OIS-2M	5.30	5.32	2
India OIS-9M	5.41	5.43	2
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.71	3.87	16

Source: Bloomberg, Bank of Baroda Research | Note: Except India, all other markets were closed on 01 Jan 2026

Table 5 – Liquidity

Rs tn	01-1-2026	02-01-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.2	0.6	0.4

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	31-12-2025	01-1-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(296.6)	(347.0)	(50.4)
Debt	211.5	(9.2)	(220.7)
Equity	(508.1)	(337.8)	170.3
Mutual funds (Rs cr)	(1,927.3)	(4,944.6)	(3,017.2)
Debt	(3,490.5)	(3,888.5)	(398.0)
Equity	1,563.2	(1,056.1)	(2,619.2)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 29 Dec and 30 Dec 2025

- Oil prices fell at the start of the year amidst over-supply concerns.

Table 7 – Commodities

	31-12-2025	02-1-2026	Change, %
Brent crude (US\$/bbl)	60.9	60.8	(0.2)
Gold (US\$/ Troy Ounce)	4,319.4	4,332.3	0.3
Copper (US\$/ MT)	12,453.4	12,508.1	0.4
Zinc (US\$/MT)	3,081.8	3,090.8	0.3
Aluminium (US\$/MT)	2,995.5	3,015.5	0.7

Source: Bloomberg, Bank of Baroda Research | Note: Global commodity markets were closed on 01 Jan 2026



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com