

MORNING MOCHA

05 May 2026

ECONOMIST

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The fragile truce between US and Iran frayed as geopolitical tension flared up yet again, as both the countries exchanged fire in the Gulf over the closure of the Strait of Hormuz. This came in after recent reports of US President Donald Trump rejecting the proposal sent by Iran. With these recent developments, crude prices have surged again, with investors now concerned about elevated inflation and US Fed's interest rate outlook. Investors have already priced in 37% chance of a rate hike by Mar'27. Separately, US equity inflows slipped to 6-week low to US\$ 911bn by 29 Apr 2026, smallest weekly purchase since 18 March. Separately in line with expectation, RBA lifted rates by 25bps to 4.35% in May'26. On the domestic front, India announced election outcome of 5-states.

- Global stock indices closed mixed. US indices were down as both US and Iran traded blows over the Strait, jeopardizing the ceasefire agreement. Investors will closely await the US jobs data to analyse the strength of the economy. Sensex edged up with gains in real estate and capital good stocks. However, it is trading lower today, while other Asian indices are trading mixed.

Table 1 – Stock markets

	01-05-2026	04-05-2026	Change, %
Dow Jones	49,499	48,942	(1.1)
S & P 500	7,230	7,201	(0.4)
FTSE	10,379	10,364	(0.1)
Nikkei	59,285	59,513	0.4
Hang Seng	25,777	26,096	1.2
Shanghai Comp	4,108	4,112	0.1
Sensex	76,914	77,269	0.5
Nifty	23,998	24,119	0.5

Source: Bloomberg, Bank of Baroda Research | Note: Markets in HK, China and India were closed on 1.5.2026, Markets in UK and Japan were closed on 4.5.2026

- Most global currencies ended lower. DXY rose by 0.2%, supported by safe-haven demand, as tensions in the Middle East re-escalate. EUR fell by 0.3% as higher oil prices revive inflationary concerns. INR fell by 0.2% and breached Rs 95/\$ mark. It is trading even lower today, in line with other Asian currencies.

Table 2 – Currencies

	01-05-2026	04-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1721	1.1691	(0.3)
GBP/USD (1 GBP / USD)	1.3583	1.3532	(0.4)
USD/JPY (JPY / 1 USD)	157.01	157.24	(0.1)
USD/INR (INR / 1 USD)	94.92	95.09	(0.2)
USD/CNY (CNY / 1 USD)	6.8404	6.8281	0.2
DXY Index	98.16	98.32	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and India were closed on 1.5.2026, Markets in UK and Japan were closed on 4.5.2026



- Global yields closed mixed. US10Y yield rose the most (7bps), followed by Germany's 10Y yield (5bps), as oil prices surged. Resurgence in tension between US and Iran impacted investor sentiments. Violation of ceasefire between the two is also a cause of worry. India's 10Y yield ended flat, and is trading higher today at 7.05%, noting rise in oil prices.

Table 3 – Bond 10Y yield

	01-05-2026	04-05-2026	Change, bps
US	4.37	4.44	7
UK	5.01	4.96	(5)
Germany	3.04	3.09	5
Japan	2.53	2.52	(1)
China	1.75	1.75	0
India	7.02	7.02	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and India were closed on 1.5.2026, , Markets in UK and Japan were closed on 4.5.2026

Table 4 – Short term rates

	01-05-2026	04-05-2026	Change, bps
Tbill-91 days	5.28	5.27	(1)
Tbill-182 days	5.46	5.42	(4)
Tbill-364 days	5.66	5.63	(3)
G-Sec 2Y	6.21	6.29	8
India OIS-2M	5.38	5.38	0
India OIS-9M	5.80	5.85	4
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.66	3.64	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	30-04-2026	04-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	2.6	0

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	29-04-2026	30-04-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(47.1)	(658.5)	(611.4)
Debt	161.7	184.0	22.4
Equity	(208.7)	(842.5)	(633.8)
Mutual funds (Rs cr)	(727.8)	1,207.9	1,935.6
Debt	(4,803.7)	(140.4)	4,663.3
Equity	4,075.9	1,348.2	(2,727.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 27 Apr and 28 Apr 2026

- Oil prices rose by ~6%, following news reports of attacks by Iran on ships in the Strait of Hormuz and UAE's port Fujairah.

Table 7 – Commodities

	01-05-2026	04-05-2026	Change, %
Brent crude (US\$/bbl)	108.2	114.4	5.8
Gold (US\$/ Troy Ounce)	4,614.2	4,521.9	(2.0)
Copper (US\$/ MT)	12,910.8	12,916.4	0.0
Zinc (US\$/MT)	3,359.8	3,335.6	(0.7)
Aluminium (US\$/MT)	3,474.0	3,522.0	1.4

Source: Bloomberg, Bank of Baroda Research



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