

MORNING MOCHA

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Economist

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As per the bureau of labour statistics, the US economy added over 29k jobs in Sep'26 much lower than 90k expected. The number for Jul'26 and Aug'26 was also revised down by over 60k jobs. Even the unemployment rate inched up (4.2% from 4.1%). Softer than expected jobs data has trimmed down Fed's rate hike expectations. On domestic front, there are news reports of India and Netherlands in bilateral talks, discussing the possibility of strengthening agriculture productivity through innovation, modern technology and knowledge exchange. Separately, the government has also extended the scheme of remission of duties and taxes on exported products from Sep'26 to the end of Dec'26 now. Apart from this, India's Southwest monsoon has ended the season with 13% deficit, against 8% surplus noted last year. Investors will closely track RBI's policy decision this week.

- Hang Seng and Nikkei softened as geopolitical tensions remained elevated with reports of US deploying fresh troops. US indices edged up as macro data (non-farm payroll, average hourly earnings) has moderated and lowered the rate hike expectation by Fed in Oct'26. Sensex is trading higher today, while other Asian stocks are trading mixed.

Table 1 – Stock markets

	01-10-2026	02-10-2026	Change, %
Dow Jones	50,927	51,177	0.5
S & P 500	7,666	7,723	0.7
FTSE	10,428	10,462	0.3
Nikkei	68,957	68,309	(0.9)
Hang Seng	24,613	23,972	(2.6)
Shanghai Comp	3,830	3,842	0.3
Sensex	72,480	71,910	(0.8)
Nifty	22,620	22,422	(0.9)

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were shut on 02 Oct 2026

- Global currencies ended mixed. Greenback weakened amidst downward revision in jobs data and inching up of unemployment rate. GBP edged up ahead of the budget. INR depreciated amidst higher oil prices. However, it is trading stronger today, while Asian currencies are trading mixed.

Table 2 – Currencies

	01-10-2026	02-10-2026	Change, %
EUR/USD (1 EUR / USD)	1.1244	1.1255	0.1
GBP/USD (1 GBP / USD)	1.3197	1.3241	0.3
USD/JPY (JPY / 1 USD)	158.09	157.85	0.2
USD/INR (INR / 1 USD)	95.83	96.32	(0.5)
USD/CNY (CNY / 1 USD)	6.7067	6.7060	0
DX Index	102.10	101.93	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Germany's 10Y yield fell the most by 5bps followed by UK and Japan's (by 3bps each). For UK, unchanged inflation expectations and for Japan, CPI data impacted the yields. US 10Y yield inched up albeit pared down of rate hike expectations by Fed to ~22% from 64% earlier (CME Fedwatch data). India's 10Y yield is trading at 7.2% today.

Table 3 – Bond 10Y yield

	01-10-2026	02-10-2026	Change, bps
US	5.24	5.27	3
UK	5.40	5.37	(3)
Germany	3.51	3.46	(5)
Japan	3.13	3.09	(3)
China	1.67	1.68	1
India	7.19	7.21	3

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were shut on 02 Oct 2026

Table 4 – Short term rates

	01-10-2026	02-10-2026	Change, bps
Tbill-91 days	5.50	5.49	(1)
Tbill-182 days	5.95	5.91	(4)
Tbill-364 days	6.17	6.11	(6)
G-Sec 2Y	6.56	6.54	(2)
India OIS-2M	5.54	5.58	4
India OIS-9M	6.04	6.10	6
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.90	3.87	(3)

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were shut on 02 Oct 2026

Table 5 – Liquidity

Rs tn	30-09-2026	01-10-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	4.9	4.4	(0.5)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	29-09-2026	30-09-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(1,323.1)	(1,063.4)	259.7
Debt	(261.2)	(101.6)	159.6
Equity	(1,062.0)	(961.8)	100.1
Mutual funds (Rs cr)	(2,080.6)	(575.3)	1,505.3
Debt	(2,373.8)	(1,762.4)	611.3
Equity	293.1	1,187.1	894.0

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 18th and 21st Sep

- Oil prices moderated. However, it remains volatile due to escalated tension between US and Iran.

Table 7 – Commodities

	01-10-2026	02-10-2026	Change, %
Brent crude (US\$/bbl)	102.3	102.3	(0.1)
Gold (US\$/ Troy Ounce)	4,177.7	4,141.2	(0.9)
Copper (US\$/ MT)	14,281.5	14,312.0	0.2
Zinc (US\$/MT)	3,790.2	3,771.7	(0.5)
Aluminium (US\$/MT)	3,123.0	3,100.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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