MORNING MOCHA

06 August 2026

Economist
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Investors continued to monitor developments surrounding peace talks between US and Iran and the possibility of reopening of Strait of Hormuz. Elsewhere, PMIs of major economies suggested a strong momentum in services activity. US ISM services PMI rose to 54.1 in Jul'26 from 54.0 in Jun'26. In the Eurozone, services PMI inched up to 51.7 in Jul'26 (49.4 in Jun'26). In UK as well, services PMI rose to 52.1 in Jul'26 (48.8 in Jun'26). Globally, new orders growth was driven by domestic demand, even as input prices remained elevated. In India, services PMI eased to 53.3 in Jul'26 (57.4 in Jun'26) due to a dip in new business inflows. This was due to higher competition, moderation in demand and order postponements. RBI kept policy rates and stance unchanged and upgraded its GDP forecast for FY27 to 6.7%, and lowered its inflation forecast to 5%. We now expect the RBI to hike rates Dec'26.

- Except S&P 500, other global indices ended higher supported by hopes of a resolution in the West Asia conflict. Amongst major indices, Nikkei rose the most by 3.7%, led by a rally in AI stocks. India's Sensex rose marginally by 0.2%, supported by gains in auto and real estate stocks. It is trading further higher today, while other Asian stocks are trading mixed.

Table 1 – Stock markets

	04-08-2026	05-08-2026	Change, %
Dow Jones	54,086	54,349	0.5
S & P 500	7,737	7,724	(0.2)
FTSE	10,879	10,888	0.1
Nikkei	63,958	66,300	3.7
Hang Seng	25,853	25,916	0.2
Shanghai Comp	3,822	3,878	1.5
Sensex	78,429	78,581	0.2
Nifty	24,615	24,625	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed largely higher against the dollar. DXY eased by 0.2% as investors reassessed the timing of Fed rate hike. EUR appreciated by 0.2% as Eurozone's composite PMI rose to an 8-month high. INR appreciated by 0.3%. It is trading further stronger today, in line with other Asian currencies.

Table 2 – Currencies

	04-08-2026	05-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1531	1.1553	0.2
GBP/USD (1 GBP / USD)	1.3452	1.3468	0.1
USD/JPY (JPY / 1 USD)	157.75	157.75	0
USD/INR (INR / 1 USD)	95.39	95.13	0.3
USD/CNY (CNY / 1 USD)	6.7492	6.7491	0
DXY Index	99.86	99.68	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed broadly lower. This was supported by hopes of a possible breakthrough in US-Iran peace deal. 10Y yield in Japan and UK eased by 3bps and 1bps respectively. US 10Y yield closed stable ahead of jobs report. India's 10Y yield dipped by 4bps after RBI's decision to keep rates on hold. It is trading stable at 6.77% today.

Table 3 – Bond 10Y yield

	04-08-2026	05-08-2026	Change, bps
US	4.61	4.61	0
UK	4.90	4.89	(1)
Germany	3.11	3.11	0
Japan	2.86	2.83	(3)
China	1.71	1.71	0
India	6.82	6.77	(4)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	04-08-2026	05-08-2026	Change, bps
Tbill-91 days	5.36	5.25	(11)
Tbill-182 days	5.56	5.53	(3)
Tbill-364 days	5.68	5.69	1
G-Sec 2Y	6.18	6.13	(5)
India OIS-2M	5.35	5.29	(6)
India OIS-9M	5.74	5.65	(9)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.65	3.66	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	04-08-2026	05-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.3	3.4	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	03-08-2026	04-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	92.6	1,044.0	951.5
Debt	(57.7)	66.2	123.9
Equity	150.3	977.8	827.6
Mutual funds (Rs cr)	(2,159.2)	451.9	2,611.1
Debt	(1,387.2)	(26.4)	1,360.9
Equity	(772.0)	478.2	1,250.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 30t Jul and 31 Jul 2026

- Oil prices edged up marginally awaiting clarity on the opening of Strait of Hormuz.

Table 7 – Commodities

	04-08-2026	05-08-2026	Change, %
Brent crude (US$/bbl)	79.4	79.5	0.1
Gold (US$/ Troy Ounce)	4,078.0	4,246.8	4.1
Copper (US$/ MT)	14,168.9	14,218.7	0.4
Zinc (US$/MT)	3,729.7	3,786.6	1.5
Aluminium (US$/MT)	3,223.0	3,241.0	0.6

Source: Bloomberg, Bank of Baroda Research

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