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ECONOMIST
Dipanwita Mazumdar

Global markets remained watchful of the developments in Middle East. There have been no signs of any de-escalation. Oil prices continued its rally ending the last session higher by another 4.9% at US$ 85.4/bbl. Since last Friday, oil has gained by 17.8%. Gold prices showed some softening as DXY strengthened on the back of better economic data. Fed Beige book pointed to cautious optimism and modest recovery in economic activity. US jobless claims remained broadly in line. In China, Premier Li Qiang's address highlighted more policy space to support growth on the backdrop of a lower growth target. On domestic front, US has granted temporary waiver for India to import Russian oil. As per news reports, it applies to Russian crude and petroleum products loaded into the vessel before 5 Mar. This waiver is applied till 4 Apr. This in turn is expected to provide short term relief.

- Global stocks ended mixed. Stocks in Asia recovered with Nikkei rising the most by 1.9%. On the other hand, stocks in the US declined as the conflict in Middle East continued pushing oil prices to a near 2-year high. FTSE too dipped by 1.5%. In India, Sensex rose by 1.1% led by gains in power and metal stocks. However, it is trading lower today, in line with other Asian stocks.

Table 1 – Stock markets

	4-03-2026	5-03-2026	Change, %
Dow Jones	48,739	47,955	(1.6)
S & P 500	6,870	6,831	(0.6)
FTSE	10,568	10,414	(1.5)
Nikkei	54,246	55,278	1.9
Hang Seng	25,249	25,321	0.3
Shanghai Comp	4,082	4,109	0.6
Sensex	79,116	80,016	1.1
Nifty	24,481	24,766	1.2

Source: Bloomberg, Bank of Baroda Research

- DXY gained on safe-haven demand as tensions in the Middle East continued. Amongst major currencies, JPY depreciated the most. INR rose from a record low due to possible RBI intervention. However, it is trading weaker today, in line with other Asian currencies.

Table 2 – Currencies

	4-03-2026	5-03-2026	Change, %
EUR/USD (1 EUR / USD)	1.1634	1.1609	(0.2)
GBP/USD (1 GBP / USD)	1.3375	1.3357	(0.1)
USD/JPY (JPY / 1 USD)	157.06	157.59	(0.3)
USD/INR (INR / 1 USD)	92.15	91.60	0.6
USD/CNY (CNY / 1 USD)	6.8971	6.9113	(0.2)
DXY Index	98.77	99.32	0.6

Source: Bloomberg, Bank of Baroda Research

- The concerns over elevated inflation risks have outweighed any risk off sentiments from ongoing crisis. Thus, UK's 10Y yield rose at the sharpest pace by 10bps followed by Germany, US and Japan. Even some central bank officials (Philippines) are considering monetary tightening due to fear of rising inflation from higher oil prices. India's 10Y yield fell by 3bps. It is trading at 6.65% today.

Table 3 – Bond 10Y yield

	4-03-2026	5-03-2026	Change, bps
US	4.10	4.14	4
UK	4.44	4.54	10
Germany	2.75	2.84	9
Japan	2.12	2.16	4
China	1.80	1.80	0
India	6.67	6.64	(3)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	4-03-2026	5-03-2026	Change, bps
Tbill-91 days	5.31	5.31	0
Tbill-182 days	5.52	5.51	(1)
Tbill-364 days	5.59	5.58	(1)
G-Sec 2Y	5.65	5.66	2
India OIS-2M	5.34	5.34	0
India OIS-9M	5.45	5.46	1
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.70	3.67	(3)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	4-03-2026	5-03-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.7	3.0	0.3

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	2-03-2026	4-03-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(187.5)	(1,061.2)	(873.7)
Debt	139.3	(73.6)	(212.9)
Equity	(326.8)	(987.6)	(660.8)
Mutual funds (Rs cr)	6,464.1	3,004.1	(3,460.0)
Debt	(4,370.4)	(3,135.3)	1,235.1
Equity	10,834.5	6,139.4	(4,695.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 27 Feb & 2 Mar 2026

- Oil prices rose as hostilities between US, Iran and Israel continued.

Table 7 – Commodities

	4-03-2026	5-03-2026	Change, %
Brent crude (US$/bbl)	81.4	85.4	4.9
Gold (US$/ Troy Ounce)	5,140.4	5,082.3	(1.1)
Copper (US$/ MT)	13,038.5	12,857.4	(1.4)
Zinc (US$/MT)	3,308.9	3,198.8	(3.3)
Aluminium (US$/MT)	3,342.5	3,296.0	(1.4)

Source: Bloomberg, Bank of Baroda Research

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For further details about this publication, please contact:

Chief Economist
Bank of Baroda
chief.economist@bankofbaroda.com