

MORNING MOCHA

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ECONOMIST

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In latest developments, even as tensions in the Middle East continue to simmer, US President Trump has announced that the 'Project Freedom will be paused'. It has been further hinted that 'great progress' has been made on a deal with Iran. On macro front, US ISM services expanded at a slower pace at 53.6 in Apr'26 (54 in Mar'26). The moderation was on the back of the slower growth in new orders (53.5 from 60.6 in Mar'26) and rising cost pressure, given elevated energy prices. Separately, US job openings slipped marginally (6.8mn in Mar'26), but came in above expectation. On the domestic front, Cabinet approved the ECLGS 5.0, a new credit scheme with the outlay of Rs 2.55 lakh cr. The objective is to provide credit guarantee coverage of 100% to MSMEs and 90% for non-MSMEs, along with airline sector. There will be additional credit up to 20% of peak working capital used during Q4FY26, capped at Rs 100cr. For airlines, it be up to 100% (capped at Rs 1500cr).

- Global stock indices closed mixed. US indices edged up, with gains noted in AI related stocks and investors tracking strong earnings for Q1CY26. Sensex slipped with losses in real estate, consumer durable and banking stocks. However, it is trading higher today, in line with other Asian indices.

Table 1 – Stock markets

	04-05-2026	05-05-2026	Change, %
Dow Jones	48,942	49,298	0.7
S & P 500	7,201	7,259	0.8
FTSE	10,364	10,219	(1.4)
Nikkei	59,285	59,513	0.4
Hang Seng	26,096	25,899	(0.8)
Shanghai Comp	4,108	4,112	0.1
Sensex	77,269	77,018	(0.3)
Nifty	24,119	24,033	(0.4)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and Japan were closed on 5.5.2026

- DXY rose tracking labour market data. Elsewhere, currency traded in a narrow range with developments over likely pause in "Operation Freedom" and talks about reaching a final agreement. INR rose by 0.2%, tracking decline in oil prices. It is trading weaker today, while Asian currencies are trading stronger.

Table 2 – Currencies

	04-05-2026	05-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1691	1.1693	0
GBP/USD (1 GBP / USD)	1.3532	1.3541	0.1
USD/JPY (JPY / 1 USD)	157.24	157.88	(0.4)
USD/INR (INR / 1 USD)	95.09	95.29	(0.2)
USD/CNY (CNY / 1 USD)	6.8404	6.8281	0.2
DXY Index	98.37	98.53	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and Japan were closed on 5.5.2026



- Global yields traded thinly. Only UK's 10Y yield rose at the sharpest pace by 10bps as rate hike expectations by BoE build up. US 10Y yield softened a tad tracking slew of macro releases. India's 10Y yield closed stable, monitoring oil prices. It is trading at 6.98% today.

Table 3 – Bond 10Y yield

	04-05-2026	05-2026	Change, bps
US	4.44	4.42	(1)
UK	4.96	5.06	10
Germany	3.09	3.06	(2)
Japan	2.52	2.52	0
China	1.75	1.75	0
India	7.02	7.02	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and Japan were closed on 5.5.2026

Table 4 – Short term rates

	04-05-2026	05-05-2026	Change, bps
Tbill-91 days	5.27	5.27	0
Tbill-182 days	5.42	5.41	(1)
Tbill-364 days	5.63	5.62	(1)
G-Sec 2Y	6.29	6.26	(3)
India OIS-2M	5.38	5.39	1
India OIS-9M	5.85	5.84	(1)
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	04-05-2026	05-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	2.8	0.2

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	30-04-2026	04-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(658.5)	291.7	950.1
Debt	184.0	(21.4)	(205.5)
Equity	(842.5)	313.1	1,155.6
Mutual funds (Rs cr)	(3,056.6)	979.0	4,035.7
Debt	(5,988.4)	(1,988.9)	3,999.5
Equity	2,931.7	2,968.0	36.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 29 Apr and 30 Apr 2026

- Crude prices have fallen amidst expectation of a final agreement between US and Iran.

Table 7 – Commodities

	04-05-2026	05-05-2026	Change, %
Brent crude (US\$/bbl)	114.4	109.9	(4.0)
Gold (US\$/ Troy Ounce)	4,521.9	4,556.9	0.8
Copper (US\$/ MT)	12,916.4	13,059.2	1.1
Zinc (US\$/MT)	3,335.6	3,354.2	0.6
Aluminium (US\$/MT)	3,522.0	3,589.5	1.9

Source: Bloomberg, Bank of Baroda Research



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