

## MORNING MOCHA

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Germany's inflation cooled off to 1.8% in Dec'25 (2.3% in Nov'25). Core inflation softened to 2.4% (from 2.7%) in the same period. Separately, India's services PMI dropped down to 58 in Dec'25 from 59.8 in Nov'25. This was on account of moderation in new demand and slowdown in hiring activity. On price front, input cost inflation inched up from last month, though it continues to be lower than long run average. Overall composite PMI slipped down to 57.8 from 59.7 in Nov'25. Analysts will closely track the upcoming release of GDP advance estimates for FY26. Investors will also monitor jobs report, scheduled later this week to gauge the rate trajectory. Fed official Stephen Miran commented on the need of aggressive rate cuts to in order to keep the economy moving forward.

- Except domestic indices, other major equity indices closed higher across the globe. Dow Jones advanced with chip related stocks surging higher surrounded by AI related optimism. Shanghai Comp and Hang Seng gained the most. Sensex ended lower with majority losses in oil & gas stocks. It is trading lower today, while Asian indices are trading higher.

**Table 1 – Stock markets**

	05-1-2026	06-01-2026	Change, %
Dow Jones	48,977	49,462	1.0
S & P 500	6,902	6,945	0.6
FTSE	10,005	10,123	1.2
Nikkei	51,833	52,518	1.3
Hang Seng	26,347	26,710	1.4
Shanghai Comp	4,023	4,084	1.5
Sensex	85,440	85,063	(0.4)
Nifty	26,250	26,179	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Currencies of advanced economies declined, while INR and CNY appreciated against the US\$. DXY rose by 0.3% as investors monitor risks from ongoing US-Venezuela conflict and track recent statement by Fed officials. INR rose by 0.1%. It is trading further higher today, while other Asian currencies are trading lower.

**Table 2 – Currencies**

	05-1-2026	06-01-2026	Change, %
EUR/USD (1 EUR / USD)	1.1722	1.1689	(0.3)
GBP/USD (1 GBP / USD)	1.3542	1.3501	(0.3)
USD/JPY (JPY / 1 USD)	156.38	156.65	(0.2)
USD/INR (INR / 1 USD)	90.29	90.18	0.1
USD/CNY (CNY / 1 USD)	6.9886	6.9839	0.1
DXY Index	98.27	98.58	0.3

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields ended mixed. Japan's 10Y yield remains elevated as investors now expect BoJ's terminal policy rate at 1.7%. In Germany, slower than expected Dec'25 inflation pushed yields down. US investors await jobs data for more direction on Fed's rate trajectory. India's 10Y yield fell by 2bps, helped by drop in oil prices. However, it is trading higher at 6.62% today.

**Table 3 – Bond 10Y yield**

	05-1-2026	06-01-2026	Change, bps
US	4.16	4.17	1
UK	4.51	4.48	(3)
Germany	2.87	2.84	(3)
Japan	2.13	2.14	1
China	1.86	1.88	3
India	6.63	6.61	(2)

Source: Bloomberg, Bank of Baroda Research

**Table 4 – Short term rates**

	05-1-2026	06-01-2026	Change, bps
Tbill-91 days	5.21	5.18	(3)
Tbill-182 days	5.41	5.43	2
Tbill-364 days	5.52	5.53	1
G-Sec 2Y	5.80	5.79	(2)
India OIS-2M	5.33	5.31	(2)
India OIS-9M	5.44	5.43	(1)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.75	3.70	(5)

Source: Bloomberg, Bank of Baroda Research

**Table 5 – Liquidity**

Rs tn	05-1-2026	06-01-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.6	0.8	0.2

Source: RBI, Bank of Baroda Research

**Table 6 – Capital market flows**

	02-1-2026	05-1-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	253.4	16.6	(236.7)
Debt	181.6	(65.1)	(246.7)
Equity	71.8	81.7	9.9
Mutual funds (Rs cr)	2,253.1	(1,513.8)	(3,766.9)
Debt	1,233.4	(948.4)	(2,181.7)
Equity	1,019.8	(565.4)	(1,585.2)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 1Jan and 2 Jan 2026

- Oil prices slipped and are expected to remain under pressure due to excess supply.

**Table 7 – Commodities**

	05-1-2025	06-1-2026	Change, %
Brent crude (US\$/bbl)	61.8	60.7	(1.7)
Gold (US\$/ Troy Ounce)	4,449.2	4,494.8	1.0
Copper (US\$/ MT)	13,033.5	13,241.0	1.6
Zinc (US\$/MT)	3,158.7	3,214.3	1.8
Aluminium (US\$/MT)	3,085.5	3,129.0	1.4

Source: Bloomberg, Bank of Baroda Research



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