

MORNING MOCHA

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 ECONOMIST
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Global markets remained cautious amidst reports of renewed tension in the Strait of Hormuz about passage of an LNG ship. On macro front, US ISM services index was marginally lower at 54 in Jun'26 compared to previous month level of 54.5. However, employment index rose for the first time in past four months to 51.2 from earlier level of 47.9, signalling buoyant labour market conditions. In UK, new car registrations picked up at a solid double-digit pace of 11.4%, YoY, in Jun'26, compared to previous month level of 7.1%. Japan's official pointed out that the country is maintaining fiscal sustainability focussing on reducing its debt to GDP ratio. This is against the backdrop of market looking for fresh cues of policy support. On domestic front, India's 10Y yield continued to soften eyeing decline in oil prices.

- Global stocks ended mixed. Markets in the US rose despite a deceleration in US ISM services PMI. The increase was led by a rally in AI related stocks. Elsewhere, FTSE declined amidst losses in precious metal miners stocks. In India, Sensex rose by 0.7%, led by gains in real estate and consumer durables stocks. It is trading further higher today, while Asian indices are trading lower.

Table 1 – Stock markets

	5-07-2026	6-07-2026	Change, %
Dow Jones	52,900	53,056	0.3
S & P 500	7,483	7,537	0.7
FTSE	10,679	10,652	(0.3)
Nikkei	69,744	69,738	0
Hang Seng	23,350	23,616	1.1
Shanghai Comp	4,044	4,041	(0.1)
Sensex	77,764	78,285	0.7
Nifty	24,271	24,430	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY was broadly stable as investors await minutes of the Fed meeting. JPY depreciated by 0.5% even as markets awaited signs of BoJ intervention. INR declined by 0.2% even as oil prices eased. It is trading stronger today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	5-07-2026	6-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1437	1.1441	0
GBP/USD (1 GBP / USD)	1.3350	1.3392	0.3
USD/JPY (JPY / 1 USD)	161.34	162.09	(0.5)
USD/INR (INR / 1 USD)	95.22	95.40	(0.2)
USD/CNY (CNY / 1 USD)	6.7787	6.7945	(0.2)
DXY Index	100.86	100.85	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and India, global yield traded in a narrow range. For Japan, expectation of fiscal stimulus and cautious approach ahead of its 30-year bond auction, impacted yields. India's 10Y yield softened as liquidity situation improved and oil prices are also heading lower. It is trading at the same level.

Table 3 – Bond 10Y yield

	5-07-2026	6-07-2026	Change, bps
US	4.48	4.47	(1)
UK	4.78	4.79	1
Germany	2.94	2.95	1
Japan	2.79	2.83	4
China	1.74	1.74	0
India	6.71	6.69	(3)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	5-07-2026	6-07-2026	Change, bps
Tbill-91 days	5.21	5.20	(1)
Tbill-182 days	5.43	5.42	(1)
Tbill-364 days	5.64	5.64	0
G-Sec 2Y	5.96	5.96	0
India OIS-2M	5.36	5.35	(1)
India OIS-9M	5.63	5.60	(3)
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	5-07-2026	6-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.7	1.2	(0.5)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	2-07-2026	3-07-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	285.5	330.7	45.2
Debt	38.9	91.7	52.8
Equity	246.6	239.0	(7.5)
Mutual funds (Rs cr)	9,957.3	6,402.3	(3,555.0)
Debt	7,730.9	5,515.8	(2,215.1)
Equity	2,226.4	886.5	(1,339.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 1 & 2nd Jul 2026

- Oil prices declined on reports of higher production by UAE.

Table 7 – Commodities

	5-07-2026	6-07-2026	Change, %
Brent crude (US\$/bbl)	72.1	72.0	(0.2)
Gold (US\$/ Troy Ounce)	4,176.9	4,165.2	(0.3)
Copper (US\$/ MT)	13,317.4	13,348.4	0.2
Zinc (US\$/MT)	3,558.7	3,604.6	1.3
Aluminium (US\$/MT)	3,090.5	3,115.5	0.8

Source: Bloomberg, Bank of Baroda Research



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