MORNING MOCHA

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US labour market data points towards resilient economic growth. Non-farm payrolls in Aug'26 surged by 162k—largest gain in 5 months, following 21k additions seen in Jul'26. Leisure and hospitality noted 62k additions and government payroll increased by 35k. Unemployment rate was stable at 4.1%. This has once again increased the chances of Fed rate hike in Sep'26. CME Fed watch tool indicates 60% probability of rate increase versus 50% probability a day earlier. Separately in Europe, there is indication of mixed growth trends. Germany's factory orders rebounded in Jul'26 and rose by 13.1% (YoY) versus est.: 10.5% and from 7.2% in Jun'26, led by manufacture of other transport equipment (aircrafts, ships, trains, military vehicle). In contrast, retail sales growth in Eurozone slowed to 0.6% from 1.4% in Jun'26, suggesting pressure on domestic consumption. Domestically, RBI has notified 30-day VRRR for Rs 7 lakh crore, with option for premature reversal of the amount lent.

- Global indices closed mixed. US indices ended lower after strong job reports lifted rate hike expectations. Hang Seng rose the most, with gains in technology stocks. Sensex too edged up supported by a strong rally in metal stocks. However, it is trading lower today, while other Asian indices are trading mixed.

Table 1 – Stock markets

	03-09-2026	04-09-2026	Change, %
Dow Jones	53,686	53,414	(0.5)
S & P 500	7,748	7,719	(0.4)
FTSE	10,832	10,831	0
Nikkei	64,214	65,021	1.3
Hang Seng	25,213	25,651	1.7
Shanghai Comp	3,942	3,930	(0.3)
Sensex	76,153	76,515	0.5
Nifty	23,873	23,898	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. Greenback strengthened as jobs report boosted rate hike bet. Yen was under pressure as investors tracked news of possible intervention and ahead of BoJ's rate decision. INR remained flat. It is trading stronger today while other Asian currencies are trading weaker.

Table 2 – Currencies

	03-09-2026	04-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1626	1.1614	(0.1)
GBP/USD (1 GBP / USD)	1.3525	1.3519	0
USD/JPY (JPY / 1 USD)	155.81	156.26	(0.3)
USD/INR (INR / 1 USD)	94.49	94.50	0
USD/CNY (CNY / 1 USD)	6.7183	6.7112	0.1
DXY Index	98.91	99.07	0.2

Source: Bloomberg, Bank of Baroda Research

- Except Japan (lower), other major 10Y yields closed range bound. US 10Y yield rose a tad by 1bps, tracking better-than-expected labour market data and oil price rise. Japan's bond yield cooled down as investors re-contemplate probability of BoJ's Sep'26 rate hike decision. India's 10Y yield rose by 1bps, following global cues. It is trading a tad lower today, at 6.95%.

Table 3 – Bond 10Y yield

	03-09-2026	04-09-2026	Change, bps
US	4.77	4.78	1
UK	5.13	5.13	0
Germany	3.34	3.34	0
Japan	2.96	2.92	(4)
China	1.68	1.68	0
India	6.97	6.97	1

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	03-09-2026	04-09-2026	Change, bps
Tbill-91 days	5.20	5.17	(3)
Tbill-182 days	5.53	5.57	4
Tbill-364 days	5.89	5.82	(7)
G-Sec 2Y	6.25	6.33	7
India OIS-2M	5.37	5.37	0
India OIS-9M	5.85	5.85	0
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	03-09-2026	04-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	10.3	10.7	0.4

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	02-09-2026	03-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(46.9)	(364.1)	(317.2)
Debt	53.5	(65.5)	(119.1)
Equity	(100.4)	(298.6)	(198.1)
Mutual funds (Rs cr)	977.2	387.4	(589.8)
Debt	(252.2)	(1,525.6)	(1,273.5)
Equity	1,229.3	1,913.0	683.7

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

- Oil prices rose further amidst renewed military strikes between US and Iran.

Table 7 – Commodities

	03-09-2026	04-09-2026	Change, %
Brent crude (US$/bbl)	95.5	96.3	0.8
Gold (US$/ Troy Ounce)	4,472.9	4,430.0	(1.0)
Copper (US$/ MT)	14,391.4	14,490.2	0.7
Zinc (US$/MT)	4,051.8	4,114.6	1.6
Aluminium (US$/MT)	3,311.5	3,293.5	(0.5)

Source: Bloomberg, Bank of Baroda Research

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