

MORNING MOCHA

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The resurfacing of geopolitical uncertainties impacted the global markets and cautioned investors. These included regime change and the US strike in Venezuela along with the claims of a possible invasion risk in Taiwan. Furthermore, China has restricted the export of dual use items to Japan, signalling a possible new conflict. The items would include software or goods that can be used for both military and civilian applications, in addition to some rare earth elements that can be used for making ships or drones. Separately in US, job opening declined more than expected to 7.14 mn in Nov'25 (from 7.4mn in Oct'25) while hiring activity moderated to 5.1mn in Nov'25. In India, the economy is projected to grow 7.4% in FY26 from 6.5% in FY25 supported by robust growth in manufacturing and services sector.

- Except Shanghai Comp, other major equity indices closed lower across the globe. S&P 500 slipped led by declines in financial and technology related stocks. Investors will closely monitor the upcoming earnings report for Q4CY25. Sensex continued with the downward trend with losses in auto and oil & gas stocks. It is trading lower today, in line with other Asian indices.

Table 1 – Stock markets

	06-1-2026	07-01-2026	Change, %
Dow Jones	49,462	48,996	(0.9)
S & P 500	6,945	6,921	(0.3)
FTSE	10,123	10,048	(0.7)
Nikkei	52,518	51,962	(1.1)
Hang Seng	26,710	26,459	(0.9)
Shanghai Comp	4,084	4,086	0.1
Sensex	85,063	84,961	(0.1)
Nifty	26,179	26,141	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except India, global currencies depreciated. DXY inched up marginally albeit a weaker JOLTS job report. GBP depreciated the most as weak PMI data build up hopes of a dovish monetary policy. INR appreciated by 0.3% tracking upbeat advance estimate growth numbers for FY26. It is trading lower today, in line with other Asian currencies.

Table 2 – Currencies

	06-1-2026	07-01-2026	Change, %
EUR/USD (1 EUR / USD)	1.1689	1.1675	(0.1)
GBP/USD (1 GBP / USD)	1.3501	1.3458	(0.3)
USD/JPY (JPY / 1 USD)	156.65	156.76	(0.1)
USD/INR (INR / 1 USD)	90.18	89.89	0.3
USD/CNY (CNY / 1 USD)	6.9839	6.9916	(0.1)
DXY Index	98.58	98.68	0.1

Source: Bloomberg, Bank of Baroda Research



- UK's 10Y yield fell the most amidst rising hopes of monetary easing. 10Y yield in US and Germany fell by 3bps each. For the US, weaker jobs data lend support. For Germany, softening retail sales data impacted yields. The Venezuela crisis impacted yields in China. India's 10Y yield closed flat and is trading at the same level today.

Table 3 – Bond 10Y yield

	06-1-2026	07-01-2026	Change, bps
US	4.17	4.15	(3)
UK	4.48	4.42	(6)
Germany	2.84	2.81	(3)
Japan	2.14	2.12	(1)
China	1.88	1.90	2
India	6.61	6.61	0

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	06-1-2026	07-01-2026	Change, bps
Tbill-91 days	5.18	5.29	11
Tbill-182 days	5.43	5.52	9
Tbill-364 days	5.53	5.54	1
G-Sec 2Y	5.79	5.80	2
India OIS-2M	5.31	5.31	0
India OIS-9M	5.43	5.42	(1)
SONIA int rate benchmark	3.73	3.72	0
US SOFR	3.70	3.66	(4)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	06-1-2026	07-01-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.8	0.4	(0.4)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	05-1-2026	06-1-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	16.6	(96.4)	(113.0)
Debt	(65.1)	(94.6)	(29.5)
Equity	81.7	(1.8)	(83.5)
Mutual funds (Rs cr)	(1,513.8)	(4,176.1)	(2,662.4)
Debt	(948.4)	(4,579.7)	(3,631.3)
Equity	(565.4)	403.6	969.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 2 Jan and 5 Jan 2026

- Oil prices declined further amidst concerns of oversupply.

Table 7 – Commodities

	06-1-2025	07-1-2026	Change, %
Brent crude (US\$/bbl)	60.7	60.0	(1.2)
Gold (US\$/ Troy Ounce)	4,494.8	4,456.5	(0.9)
Copper (US\$/ MT)	13,241.0	12,914.5	(2.5)
Zinc (US\$/MT)	3,214.3	3,122.3	(2.9)
Aluminium (US\$/MT)	3,129.0	3,088.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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