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ECONOMIST
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Global markets again got unnerved with the recent military strikes carried out by US on Iran, in response to the renewed tension in the Strait of Hormuz. As per reports, US Treasury Department also announced barring of new sales of Iranian oil after 7 Jul 2026. This has again threatened the ongoing peace negotiations. As a result, international crude prices went up by 2.6% at US$ 76/bbl in today's session. On macro front, US trade deficit widened to US$ 77.6bn in May'26 compared to US$ 54.6bn in the previous month as exports continued to decline while imports picked up at a modest pace. In Germany, industrial production remained flat (YoY) while seeing MoM momentum of 0.9% in May'26. On monetary policy, New York Fed President remained optimistic that inflation will gradually migrate towards the 2% target. On domestic front, markets will closely watch war related developments.

- Except FTSE, other global stocks ended weaker as investors monitored latest developments in US-Iran relations. Tech stocks witnessed a sharp sell-off amidst concerns about overvaluation. Nikkei declined the most by 2.1%. Sensex declined by 0.1% as capital goods and real estate stocks dipped sharply. It is trading in red today, in line with other Asian markets.

Table 1 – Stock markets

	6-07-2026	7-07-2026	Change, %
Dow Jones	53,056	52,925	(0.2)
S & P 500	7,537	7,504	(0.4)
FTSE	10,652	10,666	0.1
Nikkei	69,738	68,257	(2.1)
Hang Seng	23,616	23,497	(0.5)
Shanghai Comp	4,041	3,990	(1.3)
Sensex	78,285	78,181	(0.1)
Nifty	24,430	24,399	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose on safe-haven demand amidst reports of re-escalation in US-Iran hostilities. EUR depreciated despite a pickup in industrial production in Germany (MoM). INR appreciated by 0.5% even as oil prices increased. It is however trading weaker today, in line with its Asian peers.

Table 2 – Currencies

	6-07-2026	7-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1441	1.1412	(0.3)
GBP/USD (1 GBP / USD)	1.3392	1.3359	(0.2)
USD/JPY (JPY / 1 USD)	162.09	162.10	0
USD/INR (INR / 1 USD)	95.40	94.97	0.5
USD/CNY (CNY / 1 USD)	6.7945	6.7958	0
DXY Index	100.85	101.02	0.2

Source: Bloomberg, Bank of Baroda Research

- Global yield broadly closed higher as tensions flared up in the West Asia conflict. US 10Y yield rose at the sharpest pace by 8bps followed by UK and Germany. Markets will be closely eyeing the Fed minutes for any cues on future rate trajectory. India's 10Y yield rose a tad taking global cues. It is trading higher at 6.72% today.

Table 3 – Bond 10Y yield

	6-07-2026	7-07-2026	Change, bps
US	4.47	4.55	8
UK	4.79	4.85	5
Germany	2.95	2.99	4
Japan	2.83	2.86	3
China	1.74	1.74	0
India	6.69	6.70	1

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	6-07-2026	7-07-2026	Change, bps
Tbill-91 days	5.20	5.24	4
Tbill-182 days	5.42	5.41	(1)
Tbill-364 days	5.64	5.63	(1)
G-Sec 2Y	5.96	5.95	(1)
India OIS-2M	5.35	5.34	(1)
India OIS-9M	5.60	5.60	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.64	3.63	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	6-07-2026	7-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.2	1.3	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	3-07-2026	6-07-2026	change (US$ mn/Rs cr)
FII (US$ mn)	330.7	182.7	(148.0)
Debt	91.7	93.8	2.1
Equity	239.0	88.9	(150.1)
Mutual funds (Rs cr)	6,402.3	(3,862.5)	(10,264.8)
Debt	5,515.8	(1,478.8)	(6,994.6)
Equity	886.5	(2,383.7)	(3,270.2)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 2nd & 3rd Jul 2026

- Oil prices increased as US-Iran tensions flared up again.

Table 7 – Commodities

	6-07-2026	7-07-2026	Change, %
Brent crude (US$/bbl)	72.0	74.2	3.0
Gold (US$/ Troy Ounce)	4,165.2	4,106.2	(1.4)
Copper (US$/ MT)	13,348.4	13,298.5	(0.4)
Zinc (US$/MT)	3,604.6	3,572.0	(0.9)
Aluminium (US$/MT)	3,115.5	3,137.5	0.7

Source: Bloomberg, Bank of Baroda Research

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