

MORNING MOCHA

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 ECONOMIST
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Geopolitical tensions resurfaced amidst reports of Israel striking fresh military targets on Iran. Crude oil prices in today's session went up by 3.8% to US\$ 96.6/bbl. On macro front, better US non-farm payroll number has led DXY to trade higher. Even the 2-month payroll net revision has risen by 172K higher than the Bloomberg est. level of 88K. The better labour market data has further fuelled concerns about the demand side pressure on inflation, in consonance with the supply side shock. Rate hike probability as per CME Fed watch data only comes towards the end of CY26. In a separate print, Eurozone GDP decreased by 0.2% in Q1CY26 compared to an earlier estimate of 0.1% growth. This is led by downward revision of Ireland's GDP data. On domestic front, albeit government initiatives and RBI's measures to support debt inflows by FII, India's 10Y yield closed a tad lower.

- Except FTSE, other global indices ended weaker tracking developments in the West Asia crisis. US indices witnessed a sharp sell-off after a stronger than expected jobs stoked inflationary concerns amidst buoyant labour market data. Sensex declined by 0.2% amidst losses in metal and technology stocks. However, it is trading weaker today, in line with other Asian markets.

Table 1 – Stock markets

	04-06-2026	05-06-2026	Change, %
Dow Jones	51,562	50,867	(1.3)
S & P 500	7,584	7,384	(2.6)
FTSE	10,360	10,368	0.1
Nikkei	67,471	66,588	(1.3)
Hang Seng	25,253	24,962	(1.2)
Shanghai Comp	4,058	4,028	(0.7)
Sensex	74,360	74,243	(0.2)
Nifty	23,417	23,367	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other global currencies depreciated. DXY rose supported by a strong jobs report. EUR depreciated the most by 0.8%. INR appreciated after RBI announced measures to garner foreign inflows. It is trading weaker today, in line with other Asian currencies tracking escalation in geo-political tensions.

Table 2 – Currencies

	04-06-2026	05-06-2026	Change, %
EUR/USD (1 EUR / USD)	1.1611	1.1522	(0.8)
GBP/USD (1 GBP / USD)	1.3424	1.3342	(0.6)
USD/JPY (JPY / 1 USD)	160.02	160.29	(0.2)
USD/INR (INR / 1 USD)	95.79	94.94	0.9
USD/CNY (CNY / 1 USD)	6.7746	6.7883	(0.2)
DXY Index	99.41	100.07	0.7

Source: Bloomberg, Bank of Baroda Research



- Except US, global yields traded in a narrow range. US 10Y yield rose the most by 6bps following a better-than-expected US non-farm payroll data in Mar'26, indicative of a buoyant labour market condition. India's 10Y yield fell a tad tracking government measures, RBI policy decision and auction results. It is trading at the same level today.

Table 3 – Bond 10Y yield

	04-06-2026	05-06-2026	Change, bps
US	4.47	4.53	6
UK	4.90	4.90	0
Germany	3.02	3.04	1
Japan	2.67	2.67	0
China	1.71	1.72	1
India	6.99	6.98	(1)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	04-06-2026	05-06-2026	Change, bps
Tbill-91 days	5.48	5.41	(7)
Tbill-182 days	5.65	5.60	(5)
Tbill-364 days	5.97	5.94	(3)
G-Sec 2Y	6.33	6.25	(8)
India OIS-2M	5.47	5.40	(7)
India OIS-9M	5.94	5.86	(8)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.61	3.62	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	04-06-2026	05-06-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.9	1.9	0

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	03-06-2026	04-06-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(579.0)	(329.4)	249.6
Debt	(50.0)	96.3	146.3
Equity	(529.0)	(425.6)	103.3
Mutual funds (Rs cr)	6,716.1	(5,617.3)	(12,333.5)
Debt	(8,124.3)	(9,107.7)	(983.4)
Equity	14,840.5	3,490.4	(11,350.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 29 May and 1 Jun 2026

- Oil prices continued to decline despite heightened geo-political tensions and lower US crude inventories.

Table 7 – Commodities

	04-06-2026	05-06-2026	Change, %
Brent crude (US\$/bbl)	95.0	93.1	(2.0)
Gold (US\$/ Troy Ounce)	4,474.8	4,328.5	(3.3)
Copper (US\$/ MT)	13,920.5	13,490.3	(3.1)
Zinc (US\$/MT)	3,565.5	3,510.3	(1.5)
Aluminium (US\$/MT)	3,666.0	3,592.0	(2.0)

Source: Bloomberg, Bank of Baroda Research



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