

MORNING MOCHA

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Economist

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Recently released FOMC minutes indicate that the members remain cautious about the upward trajectory of inflation. Some members even indicated that higher rate path could act as an insurance against elevated inflation levels. However, it was also discussed that each meeting will consider fresh macro data to assess the need for hiking rates. As a result, as per CME FedWatchTool, there is ~82% probability of status quo in Fed's Oct'26 meeting. Members also discussed rising treasury yields, which they believe can be attributed to expectations of tighter monetary policy. Given higher rates, mortgage rates in the US have also increased to their 3-year high level of 7.49% as of 2 Oct'26, in turn leading to decline in mortgage applications. Going forward, as there appears to be no resolution in sight regarding the West Asia crisis, oil prices and hence inflation is expected to remain higher going ahead.

- Barring Shanghai Comp, other global indices slipped as global bond sell-off resumed, and risks of elevated inflation remained high. Amongst other indices, Nikkei dropped the most with losses noted in transport and communication, sectors. Sensex too closed lower with deep losses in metal, consumer durable and power stocks. It is trading lower today in line with other Asian indices.

Table 1 – Stock markets

	06-10-2026	07-10-2026	Change, %
Dow Jones	51,521	51,180	(0.7)
S & P 500	7,819	7,802	(0.2)
FTSE	10,542	10,459	(0.8)
Nikkei	70,684	70,036	(0.9)
Hang Seng	24,281	24,131	(0.6)
Shanghai Comp	3,830	3,842	0.3
Sensex	73,068	72,639	(0.6)
Nifty	22,776	22,603	(0.8)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China remain closed since 30 Sep 2026

- Except for JPY and CNY, other global currencies closed lower. Greenback strengthened to near 18-month high amidst hopes of Fed continuing with monetary tightening based on the hawkish Fed minutes. INR depreciated. It is trading stronger today while other Asian currencies are trading mixed.

Table 2 – Currencies

	06-10-2026	07-10-2026	Change, %
EUR/USD (1 EUR / USD)	1.1259	1.1197	(0.6)
GBP/USD (1 GBP / USD)	1.3276	1.3214	(0.5)
USD/JPY (JPY / 1 USD)	158.10	158.08	0
USD/INR (INR / 1 USD)	96.43	96.77	(0.4)
USD/CNY (CNY / 1 USD)	6.7067	6.7060	0
DX Index	101.83	102.24	0.4

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China remain closed since 30 Sep 2026



- Global yields closed mixed. US 10Y yield ended flat, while UK and India's 10Y bond yields rose notably. In the UK, investors remain concerned about inflation and level of government borrowings ahead of new FM's 1st budget. India's 10Y yield also rose by 5bps, as RBI announced a hawkish RBI policy. Even today, it is trading at similar levels (7.24%).

Table 3 – Bond 10Y yield

	06-10-2026	07-10-2026	Change, bps
US	5.28	5.28	0
UK	5.38	5.44	7
Germany	3.48	3.48	0
Japan	3.11	3.10	(1)
China	1.67	1.68	1
India	7.19	7.24	5

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China remain closed since 30 Sep 2026

Table 4 – Short term rates

	06-10-2026	07-10-2026	Change, bps
Tbill-91 days	5.50	5.55	5
Tbill-182 days	5.98	6.07	9
Tbill-364 days	6.13	6.27	14
G-Sec 2Y	6.71	6.75	5
India OIS-2M	5.59	5.55	(4)
India OIS-9M	6.10	6.10	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.89	3.90	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	06-10-2026	07-10-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	5.0	4.2	(0.8)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	05-10-2026	06-10-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(362.5)	(92.2)	270.3
Debt	69.9	161.9	92.0
Equity	(432.3)	(254.0)	178.3
Mutual funds (Rs cr)	(278.5)	765.0	1,043.4
Debt	(1,519.7)	(1,953.6)	(433.9)
Equity	1,241.3	2,718.6	1,477.3

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 21st and 22nd Sep

- Oil prices fell, as investors assess the balance between sustainability of increased stockpiles and war related risks to supply.

Table 7 – Commodities

	06-10-2026	07-10-2026	Change, %
Brent crude (US\$/bbl)	100.6	100.2	(0.4)
Gold (US\$/ Troy Ounce)	4,164.2	4,111.2	(1.3)
Copper (US\$/ MT)	14,482.7	14,564.6	0.6
Zinc (US\$/MT)	3,805.1	3,811.2	0.2
Aluminium (US\$/MT)	3,133.5	3,117.0	(0.5)

Source: Bloomberg, Bank of Baroda Research



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