MORNING MOCHA

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As tensions between US and Iran continue, shipping traffic in the Strait of Hormuz has fallen sharply in the past 10 days, similar to what was last seen in May'26. As a result, oil prices are maintaining upward momentum and Qatar's Foreign Minister has even warned of an "industrial catastrophe" if this issue persists. Rise in oil prices is also having spillover effects in other asset classes (equity/bond markets). On the macro front, Japan has revised its Q2CY26 GDP growth upwards to 1.4% (est.: 1.8%) from 1.1% as per earlier estimates. This was largely on account of less than expected decline in business fixed investment (-0.9% versus -1.2% earlier). This data point further supports case for rate hike by BoJ in its upcoming Sep'26 meeting. Elsewhere, Eurozone's Q2 GDP has also been revised higher to 0.6% from 0.4% estimated earlier, supported by growth in net exports and private consumption.

- Barring Nikkei and Shanghai Comp, other indices closed lower. US indices slipped as oil prices mounted, and investors weigh in rate hike expectation by Fed. However, Nikkei accelerated, led by gains in AI and semiconductor stocks. Sensex slipped led by subdued global cues and losses in IT and metal stocks. It is trading lower today while other Asian indices are trading mixed.

Table 1 – Stock markets

	04-09-2026	07-09-2026	Change, %
Dow Jones	53,686	53,414	(0.5)
S & P 500	7,748	7,719	(0.4)
FTSE	10,831	10,822	(0.1)
Nikkei	65,021	66,400	2.1
Hang Seng	25,651	25,413	(0.9)
Shanghai Comp	3,930	3,933	0.1
Sensex	76,515	76,133	(0.5)
Nifty	23,898	23,779	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. US$ was under pressure with investors turning their focus towards the upcoming inflation report. Yen soared to 7-month high amidst rate hike expectation by BoJ. INR remained flat. It is trading weaker today while other Asian currencies are trading mixed.

Table 2 – Currencies

	04-09-2026	07-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1614	1.1623	0.1
GBP/USD (1 GBP / USD)	1.3519	1.3541	0.2
USD/JPY (JPY / 1 USD)	156.26	154.36	1.2
USD/INR (INR / 1 USD)	94.50	94.49	0
USD/CNY (CNY / 1 USD)	6.7112	6.7111	0
DXY Index	99.18	98.94	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. US treasury yield remained stable at near 4.80% level. Rising fiscal deficit, treasury issuances (more than US$ 8.4tn between now and Dec'26) rising corporate issuances, is keeping bond yields elevated. Yields in UK and Germany reacted to rising oil prices. India's 10Y yield fell by 1bps and is trading stable today.

Table 3 – Bond 10Y yield

	04-09-2026	07-09-2026	Change, bps
US	4.78	4.78	0
UK	5.13	5.18	4
Germany	3.34	3.39	5
Japan	2.92	2.93	1
China	1.68	1.68	0
India	6.96	6.96	(1)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	04-09-2026	07-09-2026	Change, bps
Tbill-91 days	5.17	5.27	10
Tbill-182 days	5.57	5.56	(1)
Tbill-364 days	5.82	5.87	5
G-Sec 2Y	6.33	6.32	0
India OIS-2M	5.37	5.36	(1)
India OIS-9M	5.85	5.82	(3)
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	04-09-2026	07-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	10.7	10.4	(0.3)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	03-09-2026	04-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(364.1)	(734.2)	(370.1)
Debt	(65.5)	(51.7)	13.9
Equity	(298.6)	(682.6)	(384.0)
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 remain elevated as shipping risks in the Strait of Hormuz persists.

Table 7 – Commodities

	04-09-2026	07-09-2026	Change, %
Brent crude (US$/bbl)	96.3	97.0	0.7
Gold (US$/ Troy Ounce)	4,430.0	4,404.3	(0.6)
Copper (US$/ MT)	14,490.2	14,587.8	0.7
Zinc (US$/MT)	4,114.6	4,134.3	0.5
Aluminium (US$/MT)	3,293.5	3,312.0	0.6

Source: Bloomberg, Bank of Baroda Research

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