MORNING MOCHA

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ECONOMIST
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Initial jobless claims in the US rose to 208k (est.: 211k) in the week ending 3 Jan 2026, from 200k in the previous week. The 4-week average of continuing claims rose to 1.89mn (+21k) from previous week's 1.87mn. Investors now await report on additions to non-farm payrolls. Separately in Europe, ECB's inflation expectations survey for Nov'25 indicates that consumers expect 1yr ahead inflation at 2.8%, unchanged from the previous month. It is thus expected that ECB will maintain status quo in and not lower rates any further (as was previously expected). In China, Dec'25 CPI rose to 34-month high of 0.8% from 0.7% in Nov'25, led by gain in food prices. However, for CY25, CPI was flat at 16yr low. Producer inflation (PPI) fell by (-) 1.9% Dec'25 from (-) 2.2% last month. For the full year, it was down by (-) 2.6%.

- Except US, other major equity indices ended broadly weaker. In the US, defence stocks surged as the US President hinted at a massive increase in defence spending. In Asia stocks slipped as trade tensions between Japan and China simmered. Sensex declined by 0.9% tracking sharp losses in metals and oil and gas stocks. It is trading further lower today, in line with its Asian peers.

Table 1 – Stock markets

	07-1-2026	08-01-2026	Change, %
Dow Jones	48,996	49,266	0.6
S & P 500	6,921	6,921	0
FTSE	10,048	10,045	0
Nikkei	51,962	51,117	(1.6)
Hang Seng	26,459	26,149	(1.2)
Shanghai Comp	4,086	4,083	(0.1)
Sensex	84,961	84,181	(0.9)
Nifty	26,141	25,877	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies depreciated against the dollar. DXY rose by 0.3% ahead of US jobs data and Supreme Court ruling on tariffs. JPY fell tracking a decline in Japan's real wages. INR also depreciated amidst tariff concerns. However, it is trading stronger today, in line with other Asian currencies.

Table 2 – Currencies

	07-1-2026	08-01-2026	Change, %
EUR/USD (1 EUR / USD)	1.1675	1.1660	(0.1)
GBP/USD (1 GBP / USD)	1.3458	1.3439	(0.1)
USD/JPY (JPY / 1 USD)	156.76	156.87	(0.1)
USD/INR (INR / 1 USD)	89.89	90.03	(0.2)
USD/CNY (CNY / 1 USD)	6.9916	6.9845	0.1
DXY Index	98.68	98.93	0.3

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. US treasury yields reacted to smaller than expected increase in initial jobless claims last week. Investor sentiment in Germany was buoyed by ECB inflation expectations survey. Results reveal that there is little incentive for the central bank to cut rates any further. India's bond yield rose by 2bps, tracking rise in oil prices. It is trading higher at 6.64% today.

Table 3 – Bond 10Y yield

	07-1-2026	08-01-2026	Change, bps
US	4.15	4.17	2
UK	4.42	4.40	(1)
Germany	2.81	2.86	5
Japan	2.12	2.08	(4)
China	1.90	1.89	(1)
India	6.61	6.63	2

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	07-1-2026	08-01-2026	Change, bps
Tbill-91 days	5.29	5.29	0
Tbill-182 days	5.52	5.51	(1)
Tbill-364 days	5.54	5.56	2
G-Sec 2Y	5.80	5.81	0
India OIS-2M	5.31	5.32	1
India OIS-9M	5.42	5.43	1
SONIA int rate benchmark	3.72	3.72	0
US SOFR	3.66	3.65	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	07-1-2026	08-01-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.4	(0.1)	(0.5)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	06-1-2026	07-1-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(96.4)	40.2	136.6
Debt	(94.6)	244.7	339.3
Equity	(1.8)	(204.5)	(202.6)
Mutual funds (Rs cr)	(4,176.1)	(2,022.2)	2,153.9
Debt	(4,579.7)	(2,865.8)	1,713.9
Equity	403.6	843.6	440.0

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 5 Jan and 6 Jan 2026

- Oil prices rose, amidst supply concerns emerging from Russia, Iran and Iraq.

Table 7 – Commodities

	06-1-2025	07-1-2026	Change, %
Brent crude (US$/bbl)	60.0	62.0	3.4
Gold (US$/ Troy Ounce)	4,456.5	4,477.7	0.5
Copper (US$/ MT)	12,914.5	12,737.3	(1.4)
Zinc (US$/MT)	3,122.3	3,092.4	(1.0)
Aluminium (US$/MT)	3,088.5	3,091.0	0.1

Source: Bloomberg, Bank of Baroda Research

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