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ECONOMIST
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Surge in energy prices globally due to escalating geopolitical conflict in the Middle East, has pulled in breaks for the easing cycle by the global central banks. Analysts are now pricing in much lower possibility of a rate cut, given the looming threat of inflation. In US, non-farm payrolls dropped down by 92,000 in Feb'26 much higher than anticipated (50k) and revised job addition for Jan'26 (126k). As a result, unemployment inched up to 4.4%, signalling weakness in labour market. Labour force participation rate was also down to 62% for the same period. Healthcare strike and government shutdown during this time were partly responsible for job losses. Separately, housing prices in Britain edged up by 1.3% (fastest annual rise since Oct'25) in Feb'26. Though, they are concerns about the uncertainty of the war and its overall impact on the sector. Crude oil price surpassed US$ 110/bbl mark as the geopolitical conflict intensified.

- Global stocks ended mixed as investors continued to monitor developments in the Middle East. US indices ended lower spooked by fears of sells off and subdued payroll data. In India, Sensex closed lower, dragged by banking and real estate stocks. It is trading further lower today, in line with Asian stocks.

Table 1 – Stock markets

	5-03-2026	6-03-2026	Change, %
Dow Jones	47,955	47,502	(0.9)
S & P 500	6,831	6,740	(1.3)
FTSE	10,414	10,285	(1.2)
Nikkei	55,278	55,621	0.6
Hang Seng	25,321	25,757	1.7
Shanghai Comp	4,109	4,124	0.4
Sensex	80,016	78,919	(1.4)
Nifty	24,766	24,450	(1.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by (-) 0.3% amidst weaker than expected non-farm payroll data. GBP gained as risks of inflation will likely push BoE to hold rates steady. INR fell but closed below the 92/$ mark. It is trading weaker today to an all-time low of 92.33/$, in line with other Asian currencies.

Table 2 – Currencies

	5-03-2026	6-03-2026	Change, %
EUR/USD (1 EUR / USD)	1.1609	1.1618	0.1
GBP/USD (1 GBP / USD)	1.3357	1.3413	0.4
USD/JPY (JPY / 1 USD)	157.59	157.78	(0.1)
USD/INR (INR / 1 USD)	91.60	91.75	(0.2)
USD/CNY (CNY / 1 USD)	6.9113	6.9047	0.1
DXY Index	99.32	98.99	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except US (flat), 10Y yields of other major economies have noted a sharp uptick. UK 10Y yield rose by 9bps over fears of higher inflation due to US-Iran war. News reports indicate that Russia might divert gas supplies from Europe to India and China. India's 10Y yield also inched up by 5bps, tracking steep jump in oil prices. It is trading at 6.77% today.

Table 3 – Bond 10Y yield

	5-03-2026	6-03-2026	Change, bps
US	4.14	4.14	0
UK	4.54	4.63	9
Germany	2.84	2.86	2
Japan	2.16	2.17	1
China	1.80	1.80	1
India	6.64	6.69	5

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	5-03-2026	6-03-2026	Change, bps
Tbill-91 days	5.31	5.30	(1)
Tbill-182 days	5.51	5.51	0
Tbill-364 days	5.58	5.60	2
G-Sec 2Y	5.65	5.66	2
India OIS-2M	5.34	5.36	2
India OIS-9M	5.46	5.51	5
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.67	3.66	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	5-03-2026	6-03-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.0	2.9	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	4-03-2026	5-03-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(1,061.2)	(403.4)	657.7
Debt	(73.6)	(29.1)	44.5
Equity	(987.6)	(374.4)	613.2
Mutual funds (Rs cr)	3,004.1	(4,419.9)	(7,424.0)
Debt	(3,135.3)	(6,305.1)	(3,169.7)
Equity	6,139.4	1,885.1	(4,254.3)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 27 Feb & 2 Mar 2026

- Oil prices rose sharply by 8.5%, as Middle East tensions escalate.

Table 7 – Commodities

	5-03-2026	6-03-2026	Change, %
Brent crude (US$/bbl)	85.4	92.7	8.5
Gold (US$/ Troy Ounce)	5,082.3	5,171.7	1.8
Copper (US$/ MT)	12,857.4	12,817.1	(0.3)
Zinc (US$/MT)	3,198.8	3,272.2	2.3
Aluminium (US$/MT)	3,296.0	3,446.0	4.6

Source: Bloomberg, Bank of Baroda Research

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