MORNING MOCHA

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Economist
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Fresh military strikes between the US and Iran continues to strain international oil prices. Oil price has reached close to US$ 98/bbl, as Iran has increased attacks on tankers in Kuwait and Bahrain's ports. On the macro front, New York Fed's consumer expectation survey indicates that participants believe inflation to remain sticky at 3.6% over the next 1 year and at 3% over next 5 years. They are also worried about finding new jobs and their financial conditions (in terms of access to credit). Separately in China, CPI rose by 0.8% (YoY) in Aug'26 up from 0.5% in Jul'26, driven by food and energy prices. PPI also accelerated (3.8%) more than expected (3.6%) in Aug'26 from 3.5% in the previous months. Trade data revealed that AI boom is helping exports navigate through difficult times, Exports rose by 25% (23.9% in Jul'26) and imports were up by 28.2% (27.5% in Jul'26) in Aug'26.

- Barring Shanghai Comp, other global indices closed lower as tensions escalated in the Middle East with oil prices climbing up and stocks coming under pressure. Amongst other indices, Nikkei dropped the most, as the currency strengthened. Sensex too slipped with losses in banking and oil & gas stocks. It is trading lower today while other Asian indices are trading mixed.

Table 1 – Stock markets

	07-09-2026	08-09-2026	Change, %
Dow Jones	53,414	52,786	(1.2)
S & P 500	7,719	7,674	(0.6)
FTSE	10,822	10,812	(0.1)
Nikkei	66,400	65,269	(1.7)
Hang Seng	25,413	25,317	(0.4)
Shanghai Comp	3,933	3,941	0.2
Sensex	76,133	75,578	(0.7)
Nifty	23,779	23,635	(0.6)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in the US were closed on 7 Sep 2026

- Global currencies closed mixed. Dollar index retreated even as higher oil prices stoked concerns of inflation, with focus moving towards upcoming CPI and PPI. Yen firmed up amidst expectation of rate hike decision. INR depreciated as oil prices inched up. It is trading weaker today; Asian currencies are trading mixed.

Table 2 – Currencies

	07-09-2026	08-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1623	1.1624	0
GBP/USD (1 GBP / USD)	1.3541	1.3541	0
USD/JPY (JPY / 1 USD)	154.36	153.98	0.2
USD/INR (INR / 1 USD)	94.49	94.83	(0.4)
USD/CNY (CNY / 1 USD)	6.7111	6.7102	0
DXY Index	99.18	98.79	(0.4)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in the US were closed on 7 Sep 2026

- Global 10Y yields closed mixed. US treasury yield rose slightly to 4.79%. Continuous rise in oil prices and sticky inflation expectations of consumers (NY Fed survey) is keeping investor sentiment on edge. India's bond yields are moving in a narrow range as investors await announcement from RBI on liquidity measures. It is trading a tad higher today (6.95%), tracking oil prices.

Table 3 – Bond 10Y yield

	07-09-2026	08-09-2026	Change, bps
US	4.78	4.79	1
UK	5.18	5.17	0
Germany	3.39	3.37	(2)
Japan	2.93	2.90	(3)
China	1.68	1.69	1
India	6.96	6.94	(2)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in the US were closed on 7 Sep 2026

Table 4 – Short term rates

	07-09-2026	08-09-2026	Change, bps
Tbill-91 days	5.27	5.32	5
Tbill-182 days	5.56	5.55	(1)
Tbill-364 days	5.87	5.87	0
G-Sec 2Y	6.32	6.28	(5)
India OIS-2M	5.36	5.33	(3)
India OIS-9M	5.82	5.83	1
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.66	3.65	(1)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in the US were closed on 7 Sep 2026

Table 5 – Liquidity

Rs tn	07-09-2026	08-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	10.4	10.5	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	04-09-2026	07-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(734.2)	172.8	907.1
Debt	(51.7)	37.3	88.9
Equity	(682.6)	135.6	818.2
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 rose further, amidst increase military strikes between US and Iran.

Table 7 – Commodities

	07-09-2026	08-09-2026	Change, %
Brent crude (US$/bbl)	97.0	97.9	0.9
Gold (US$/ Troy Ounce)	4,404.3	4,356.0	(1.1)
Copper (US$/ MT)	14,587.8	14,741.2	1.1
Zinc (US$/MT)	4,134.3	4,160.2	0.6
Aluminium (US$/MT)	3,312.0	3,341.0	0.9

Source: Bloomberg, Bank of Baroda Research

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