

## MORNING MOCHA

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ECONOMIST  
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Global equity markets broadly took comfort from a weaker labour market data in the US, which might signal a delayed rate hike response by Fed. Thus, immediately not signalling any tighter liquidity conditions. The US-forward rates are not hinting any action before 3-months. Even CME Fed watch tool is attaching some probability of rate hike after Sep'26. On macro front, final estimates of services PMI remained weaker across regions. UK posted a print of 48.8, Germany at 48.6. On monetary policy front, ECB officials hinted at the current policy rate being comfortable and signalling no more rate hikes in the coming days, as can be read from major commentaries. In the US, again the independence of central bank is questioned. On domestic front, news reports pointed out that India will be moving forward on the path of self-reliance by expanding its oil refining capacity.

- Global indices ended higher as softer than expected US jobs report led to a rejig in investors' expectations of Fed rate hike. Amongst other markets, Nikkei and Hang Seng rose the most. In Japan, gains were concentrated in real estate and banking stocks. Sensex rose by 0.3%, as tech and real estate stocks gained. It is trading higher today in line with Asian indices.

**Table 1 – Stock markets**

	2-07-2026	3-07-2026	Change, %
Dow Jones	52,305	52,900	1.1
S & P 500	7,483	7,483	0.0
FTSE	10,653	10,679	0.2
Nikkei	68,733	69,744	1.5
Hang Seng	23,055	23,350	1.3
Shanghai Comp	4,029	4,044	0.4
Sensex	77,502	77,764	0.3
Nifty	24,176	24,271	0.4

Source: Bloomberg, Bank of Baroda Research, US markets were closed on 4 Jul 2026

- Global currencies traded in thin ranges due to weak holiday trading. JPY depreciated by 0.1% as markets continued to monitor signals from government and BoJ on possible intervention. INR appreciated by 0.2% on positive global cues. It is trading stable today, while other Asian currencies are trading mixed.

**Table 2 – Currencies**

	2-07-2026	3-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1432	1.1437	0
GBP/USD (1 GBP / USD)	1.3346	1.3350	0
USD/JPY (JPY / 1 USD)	161.11	161.34	(0.1)
USD/INR (INR / 1 USD)	95.40	95.22	0.2
USD/CNY (CNY / 1 USD)	6.7849	6.7787	0.1
DXI Index	100.86	100.86	0

Source: Bloomberg, Bank of Baroda Research



- Global yields traded thinly. Only Germany's 10Y yield inched up ahead of France budget which is expected to have higher fiscal stakes. India's 10Y yield fell a tad. The cut off yield for the 6.94% GS 2036 paper has fallen by 24bps to 6.73% in the current auction compared to previous auction, hinting at softer yields and buoyant demand. It is trading at 6.69% today.

**Table 3 – Bond 10Y yield**

	2-07-2026	3-07-2026	Change, bps
US	4.48	4.48	0
UK	4.78	4.78	1
Germany	2.90	2.94	3
Japan	2.79	2.79	0
China	1.75	1.74	(1)
India	6.72	6.71	(1)

Source: Bloomberg, Bank of Baroda Research

**Table 4 – Short term rates**

	2-07-2026	3-07-2026	Change, bps
Tbill-91 days	5.24	5.21	(3)
Tbill-182 days	5.44	5.43	(1)
Tbill-364 days	5.64	5.64	0
G-Sec 2Y	5.93	5.96	3
India OIS-2M	5.36	5.36	0
India OIS-9M	5.63	5.63	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.68	3.66	(2)

Source: Bloomberg, Bank of Baroda Research

**Table 5 – Liquidity**

Rs tn	2-07-2026	3-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.0	1.7	0.7

Source: RBI, Bank of Baroda Research

**Table 6 – Capital market flows**

	1-07-2026	2-07-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	282.0	285.5	3.5
Debt	267.2	38.9	(228.3)
Equity	14.8	246.6	231.8
Mutual funds (Rs cr)	(3,413.6)	9,952.0	13,365.6
Debt	(3,270.6)	7,736.2	11,006.8
Equity	(143.0)	2,215.8	2,358.8

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 30 Jun and 1 Jul 2026

- Oil prices rose marginally as investors awaited fresh development in US-Iran peace deal.

**Table 7 – Commodities**

	2-07-2026	3-07-2026	Change, %
Brent crude (US\$/bbl)	71.8	72.1	0.4
Gold (US\$/ Troy Ounce)	4,122.4	4,176.9	1.3
Copper (US\$/ MT)	13,287.6	13,317.4	0.2
Zinc (US\$/MT)	3,500.7	3,558.7	1.7
Aluminium (US\$/MT)	3,091.5	3,090.5	0

Source: Bloomberg, Bank of Baroda Research



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