

MORNING MOCHA

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 ECONOMIST
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Tension between US and Iran continue to escalate as signalled by rising presence of US military in the Middle East. Separately in Japan, LDP has won a majority in the lower house. Bond markets are concerned about country's rising debt-GDP ratio and possibility of fiscal stimulus measures to be announced to support growth. On the macro front, Japan trade balance in Dec'25 declined more than expected (¥307.2bn) to ¥134.9bn from ¥625.3bn in the previous month, dragged by slower export growth (4.5% YoY). In India, government clarified that as per the US-India trade deal, with US tariff at 18%, Indian exports will get preferential access to US\$ 30tn US market. Silk items will face 0% duty in US\$ 113bn market. Machinery exports (18% tariff) will have access to US\$ 477bn market.

- Except Dow Jones, other global indices closed higher. S&P 500 inched up supported by gains in technology stocks. Nikkei surged by 3.9% to a record high after PM Takaichi won. Sensex advanced with strong gains noted in consumer durables, realty and telecom stocks. It is trading further higher today while other Asian indices are trading mixed.

Table 1 – Stock markets

	06-02-2026	09-02-2026	Change, %
Dow Jones	50,116	50,136	0
S & P 500	6,932	6,965	0.5
FTSE	10,370	10,386	0.2
Nikkei	54,254	56,364	3.9
Hang Seng	26,560	27,027	1.8
Shanghai Comp	4,066	4,123	1.4
Sensex	83,580	84,066	0.6
Nifty	25,694	25,867	0.7

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other global currencies closed higher. DXY softened by 0.8%, ahead of the key jobs and inflation data release, which might offer some guidance on rate trajectory. In response to the electoral outcome, Yen strengthened by 0.9%. INR depreciated amidst rising oil prices. It is trading stronger today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	06-02-2026	09-02-2026	Change, %
EUR/USD (1 EUR / USD)	1.1815	1.1914	0.8
GBP/USD (1 GBP / USD)	1.3611	1.3693	0.6
USD/JPY (JPY / 1 USD)	157.22	155.88	0.9
USD/INR (INR / 1 USD)	90.66	90.77	(0.1)
USD/CNY (CNY / 1 USD)	6.9358	6.9209	0.2
DXY Index	97.63	96.82	(0.8)

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. US treasury yield ended flat as investors await key macro releases starting tomorrow (non-farm payrolls, CPI, retail sales). Yields in Japan rose the most, as resounding win for the Liberal Democratic Party signals adoption of a loose fiscal policy. India's treasury 10Y yield rose by 2bps amidst rising oil prices. However, it is trading a tad lower today at 6.75%.

Table 3 – Bond 10Y yield

	06-02-2026	09-02-2026	Change, bps
US	4.21	4.20	0
UK	4.51	4.53	1
Germany	2.84	2.84	0
Japan	2.23	2.29	6
China	1.81	1.81	0
India	6.74	6.76	2

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	06-02-2026	09-02-2026	Change, bps
Tbill-91 days	5.31	5.30	(1)
Tbill-182 days	5.54	5.53	(1)
Tbill-364 days	5.64	5.64	0
G-Sec 2Y	5.72	5.77	5
India OIS-2M	5.32	5.30	(2)
India OIS-9M	5.45	5.43	(2)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.65	3.64	(1)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	06-02-2026	09-02-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.6	3.1	(0.5)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	05-02-2026	06-02-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(71.6)	362.6	434.3
Debt	73.6	(25.8)	(99.4)
Equity	(145.2)	388.4	533.6
Mutual funds (Rs cr)	(6,348.3)	(12,192.4)	(5,844.1)
Debt	(5,982.8)	(11,479.8)	(5,497.0)
Equity	(365.5)	(712.6)	(347.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 4 Feb and 5 Feb 2026

- Oil prices rose further, as tensions between US and Iran remain elevated.

Table 7 – Commodities

	06-02-2026	09-02-2026	Change, %
Brent crude (US\$/bbl)	68.1	69.0	1.5
Gold (US\$/ Troy Ounce)	4,964.4	5,057.8	1.9
Copper (US\$/ MT)	12,923.1	13,099.1	1.4
Zinc (US\$/MT)	3,323.9	3,351.8	0.8
Aluminium (US\$/MT)	3,085.0	3,125.5	1.3

Source: Bloomberg, Bank of Baroda Research



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