MORNING MOCHA

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Latest macro data of the US is providing enough reasons to believe that the US Fed will have to raise rates again soon. US PPI was up by 0.4% (MoM) versus 0.1% in Jul'26, mainly due to acceleration in goods inflation (1.1% versus -0.4%). Within this, energy inflation rose the most (4.2% versus -1.8%). Core goods inflation was also higher at 0.4% (0.2% last month). Labour market also appears to be holding ground, with initial jobless claims for the week ending 5 Sep'26 falling to 206k from 207k the week before. Continuing claims also fell by 4k to 1.78mn. As result, probability of Fed hiking rates has gone up to 70% from 60% a day before as per CME Fedwatchtool. Investors now await US CPI data, due today for more cues. US President in his recent remarks has stated that it seems unlikely that the Iran war will end before US mid-term elections. Separately, ECB has raised its policy rates by 25bps, amidst heightened global uncertainties, and upside risks to inflation.

- Except Nikkei and Sensex, global equity indices closed lower. Hang Seng fell the most followed by stocks in the US and UK. Inflationary concerns amidst rising oil prices impacted investor sentiments. The rise in Sensex was led by banking stocks. It is trading lower today, in line with Asian markets.

Table 1 – Stock markets

	09-09-2026	10-09-2026	Change, %
Dow Jones	52,381	52,064	(0.6)
S & P 500	7,636	7,592	(0.6)
FTSE	10,670	10,609	(0.6)
Nikkei	65,143	65,271	0.2
Hang Seng	25,275	24,954	(1.3)
Shanghai Comp	3,952	3,934	(0.4)
Sensex	74,764	74,903	0.2
Nifty	23,432	23,478	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies fell against the US$. DXY rose by 0.2%. Continued tensions in the Middle East, spike in oil prices, treasury yields, and acceleration in US PPI has impacted investor sentiments. Following global cues, INR too depreciated. It is trading even lower today, in line with other Asian currencies.

Table 2 – Currencies

	09-09-2026	10-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1633	1.1612	(0.2)
GBP/USD (1 GBP / USD)	1.3547	1.3512	(0.3)
USD/JPY (JPY / 1 USD)	153.56	154.42	(0.6)
USD/INR (INR / 1 USD)	95.10	95.45	(0.4)
USD/CNY (CNY / 1 USD)	6.7084	6.7122	(0.1)
DXY Index	98.82	99.05	0.2

Source: Bloomberg, Bank of Baroda Research

- Global yields witnessed broad based increase as anticipation of tighter monetary policy got built in. US 10Y yield rose the most. Less than anticipated purchase of 10-20Yr securities by the US government impacted sentiments. UK's 10Y yield also rose sharply as pressure of rate hike increased after ECB's rate decision. India's 10Y yield rose a tad. It is trading higher at 7.02% today.

Table 3 – Bond 10Y yield

	09-09-2026	10-09-2026	Change, bps
US	4.84	4.96	12
UK	5.26	5.37	11
Germany	3.44	3.50	6
Japan	2.89	2.92	4
China	1.68	1.68	0
India	6.96	6.96	1

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	09-09-2026	10-09-2026	Change, bps
Tbill-91 days	5.19	5.17	(2)
Tbill-182 days	5.60	5.58	(2)
Tbill-364 days	5.90	5.89	(1)
G-Sec 2Y	6.28	6.31	4
India OIS-2M	5.35	5.35	0
India OIS-9M	5.83	5.85	2
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.64	3.64	0

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	09-09-2026	10-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	10.5	10.4	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	08-09-2026	09-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(97.7)	(72.8)	24.9
Debt	(174.5)	35.1	209.6
Equity	76.8	(108.0)	(184.8)
Mutual funds (Rs cr)	1,115.5	(1,939.5)	(3,055.0)
Debt	479.2	(2,055.7)	(2,534.9)
Equity	636.3	116.2	(520.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Funds data as of 7 Sep & 8 Sep 2026

- Oil prices have risen even more sharply, following remarks of US President on the war, that it is unlikely to end soon.

Table 7 – Commodities

	09-09-2026	10-09-2026	Change, %
Brent crude (US$/bbl)	101.2	107.6	6.3
Gold (US$/ Troy Ounce)	4,398.8	4,318.2	(1.8)
Copper (US$/ MT)	14,809.0	14,222.9	(4.0)
Zinc (US$/MT)	4,204.0	4,015.2	(4.5)
Aluminium (US$/MT)	3,357.0	3,293.5	(1.9)

Source: Bloomberg, Bank of Baroda Research

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