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Economist
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Tensions continued to simmer in the Middle East with renewed attacks on Saudi Arabia. Traffic passing through Strait of Hormuz too dipped significantly, pushing up global oil prices to over US$ 107/bbl today. Rising US inflation along with elevated oil prices is likely to push the Fed to hike rates this week (93% probability as per CME FedWatch tool). In China, industrial production rose at a faster pace of 5.2% in Aug'26 from 4.5% in Jul'26. On the other hand, retail sales decelerated to 0.4% compared with 0.6% increase in Jul'26. Fixed asset investment declined by 7.2% in Jan-Aug'26, compared with a decline of 6.7% in Apr-Jul'26. In India, CPI inflation inched up to 4.8% in Aug'26 after increasing by 4.5% in Jul'26, led by an increase in food inflation. Core inflation too edged up, led by an increase in restaurants and accommodation services and personal care segments. WPI inflation too rose by 9.9% in Aug'26 versus 9.8% in Jul'26.

- Except FTSE and Hang Seng, other global equity indices closed lower. Nikkei and S&P 500 fell the most, tracking the news of required slowdown in AI development. AI worries have impacted the stocks of chipmakers. India's equity markets were closed for a holiday, but opened higher today, supported by gains in IT sector. However, other Asian markets are trading lower today.

Table 1 – Stock markets

	11-09-2026	14-09-2026	Change, %
Dow Jones	52,573	52,421	(0.3)
S & P 500	7,657	7,620	(0.5)
FTSE	10,650	10,698	0.4
Nikkei	64,011	63,493	(0.8)
Hang Seng	24,806	24,918	0.5
Shanghai Comp	3,888	3,885	(0.1)
Sensex	74,903	74,782	(0.2)
Nifty	23,478	23,398	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 14 Sep 2026

- Bets of a Fed rate hike boosted dollar, which weighed on other global currencies. JPY depreciated the most by 0.5% as Japan's industrial production declined in Jul'26. INR is trading weaker today, in line with its Asian peers.

Table 2 – Currencies

	11-09-2026	14-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1599	1.1549	(0.4)
GBP/USD (1 GBP / USD)	1.3524	1.3499	(0.2)
USD/JPY (JPY / 1 USD)	153.61	154.35	(0.5)
USD/INR (INR / 1 USD)	95.45	95.56	(0.1)
USD/CNY (CNY / 1 USD)	6.7074	6.7090	0
DXY Index	99.12	99.39	0.3

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 14 Sep 2026

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- Except China (flat), other major yields continued to inch up. US 10Y yield rose by 2bps to 4.99% (highest since Oct'23). Heighted geopolitical tensions, rising crude prices and its possible impact on inflation, kept yields elevated. Today, India's 10Y is trading 8bps higher at 7.09%, tracking a surge in India's CPI (20-month high) and RBI's OMO sales announcement.

Table 3 – Bond 10Y yield

	11-09-2026	14-09-2026	Change, bps
US	4.97	4.99	2
UK	5.34	5.37	2
Germany	3.50	3.52	1
Japan	2.99	3.01	2
China	1.69	1.69	0
India	6.96	7.01	5

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 14 Sep 2026

Table 4 – Short term rates

	10-09-2026	11-09-2026	Change, bps
Tbill-91 days	5.17	5.18	1
Tbill-182 days	5.58	5.59	1
Tbill-364 days	5.89	5.89	0
G-Sec 2Y	6.28	6.31	4
India OIS-2M	5.35	5.37	2
India OIS-9M	5.85	5.88	3
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.62	3.62	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 14 Sep 2026

Table 5 – Liquidity

Rs tn	10-09-2026	11-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	10.4	10.7	0.3

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 14 Sep 2026

Table 6 – Capital market flows

	09-09-2026	10-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(72.8)	(96.2)	(23.4)
Debt	35.1	(72.5)	(107.6)
Equity	(108.0)	(23.7)	84.2
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 fund data as of 07 Sep and 08 Sep 2026 | Markets in India were closed on 14 Sep 2026

- Oil prices inched up further amidst increased attacks on Saudi Arabia.

Table 7 – Commodities

	11-09-2026	14-09-2026	Change, %
Brent crude (US$/bbl)	104.6	105.7	1.0
Gold (US$/ Troy Ounce)	4,349.1	4,299.6	(1.1)
Copper (US$/ MT)	14,229.6	13,915.3	(2.2)
Zinc (US$/MT)	4,037.5	3,932.2	(2.6)
Aluminium (US$/MT)	3,253.0	3,244.5	(0.3)

Source: Bloomberg, Bank of Baroda Research

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