MORNING MOCHA

17 September 2026

Economist
Aditi Gupta

In line with expectations, the Fed raised its benchmark policy rates by 25bps to 3.75%-4.0%. Fed Chair reiterated that the FOMC's mandate remains price stability and acknowledged that inflationary risks remain elevated. The FOMC also raised GDP forecast for 2026 and 2027 to 2.3% and 2.4% respectively (+10bps). Core PCE inflation in 2026 is expected higher at 3.4% (3.3% earlier), before moderating to 2.5% in 2027. Further, FOMC members expect funds rates to inch up further this year, with at least one more rate hike expected this year. Separate data showed that US retail sales increased by 1.2% in Aug'26 after a decline of 0.5% in Jul'26. CPI inflation in the UK edged up to 3.1% in Aug'26 from 2.9% in Jul'26. However, both core and services inflation held steady at 2.6% and 3.4% respectively. This would likely give BoE some room to keep rates steady in its policy meeting today.

- Except US, other global stock indices closed higher as markets already priced in a rate hike from Fed. However, US stocks fell amidst expectations of a steeper rate hike cycle going forward. Dow Jones fell the most. Among Asian stocks, Nikkei rose the most tracking weaker yen. Sensex inched up, led by FMCG stocks. It is trading further higher today, while Asian stocks are trading mixed.

Table 1 – Stock markets

	15-09-2026	16-09-2026	Change, %
Dow Jones	52,093	51,462	(1.2)
S & P 500	7,586	7,552	(0.4)
FTSE	10,658	10,688	0.3
Nikkei	63,484	63,923	0.7
Hang Seng	24,667	24,714	0.2
Shanghai Comp	3,864	3,892	0.7
Sensex	74,004	74,336	0.4
Nifty	23,119	23,218	0.4

Source: Bloomberg, Bank of Baroda Research

- Except CNY and INR, other global currencies declined. DXY rose to a 2-month high as Fed hiked rates, with markets expecting another 25bps hike in the next policy. INR closed steady as oil prices eased. It is trading weaker today, in line with other Asian currencies.

Table 2 – Currencies

	15-09-2026	16-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1544	1.1465	(0.7)
GBP/USD (1 GBP / USD)	1.3478	1.3381	(0.7)
USD/JPY (JPY / 1 USD)	155.10	156.26	(0.7)
USD/INR (INR / 1 USD)	95.96	95.96	0
USD/CNY (CNY / 1 USD)	6.7117	6.7091	0
DXY Index	99.62	100.25	0.6

Source: Bloomberg, Bank of Baroda Research

- Except US, global yields softened tracking moderation in oil prices. UK's 10Y yield fell at the sharpest pace as investors are widely anticipating a status quo on policy rate by the BoE. US 10Y yield inched up by 2bps as Fed rate hike was along expected lines. India's 10Y yield fell by 2bps. However, it is trading higher at 7.07% today.

Table 3 – Bond 10Y yield

	15-09-2026	16-09-2026	Change, bps
US	5.00	5.02	2
UK	5.39	5.30	(9)
Germany	3.54	3.51	(3)
Japan	3.04	3.01	(3)
China	1.69	1.68	0
India	7.07	7.05	(2)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	15-09-2026	16-09-2026	Change, bps
Tbill-91 days	5.25	5.28	3
Tbill-182 days	5.63	5.73	10
Tbill-364 days	5.91	6.02	11
G-Sec 2Y	6.28	6.31	4
India OIS-2M	5.41	5.39	(2)
India OIS-9M	5.94	5.92	(2)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.62	3.64	2

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	15-09-2026	16-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	9.9	7.4	(2.5)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	11-09-2026	15-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(605.2)	(525.5)	79.7
Debt	(503.1)	(201.7)	301.4
Equity	(102.1)	(323.8)	(221.6)
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

- Oil prices moderated amidst report of US President's upcoming meeting with GCC leaders and expectations of easing tensions in the Middle East.

Table 7 – Commodities

	15-09-2026	16-09-2026	Change, %
Brent crude (US$/bbl)	108.8	105.8	(2.7)
Gold (US$/ Troy Ounce)	4,292.2	4,263.7	(0.7)
Copper (US$/ MT)	14,021.0	14,201.2	1.3
Zinc (US$/MT)	3,947.8	3,900.9	(1.2)
Aluminium (US$/MT)	3,251.5	3,269.0	0.5

Source: Bloomberg, Bank of Baroda Research

Disclaimer

Visit us at

For further details about this publication, please contact:

Chief Economist
Bank of Baroda
chief.economist@bankofbaroda.com