

MORNING MOCHA

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ECONOMIST
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Global markets monitored more confrontational statements made by the leaders of US and Iran regarding the ongoing war. Hopes of a peace deal between the two are increasingly fading with no concrete signal about opening of the Strait of Hormuz. Noting these developments, analysts are now concerned about the economic cost of the war—rising debt, inflation and fiscal deficit levels. Elevated price pressures are also bringing “higher for longer” policy rate theory back on the table. Analysts are pricing in 75bps rate hike by BoE in the next 12 months. Fed may also have to hike rates if CPI continues to inch up. Capacity utilization in the US was at 76.1% in Apr’26, lower than the long-run average of 79.4%. In contrast, industrial production rose by 0.7%, up from (-) 0.3% in Mar’26. Domestically, India’s exports rose by 13.8% in Apr’26 (-7.4% in Mar’26), and imports were up by 10% (-6.5%).

- Global indices closed lower. US indices were down as fears of inflation have been reignited with rising crude prices. 10 out of 11 sectors in S&P 500 fell. Nikkei dropped the most, in a profit booking session with losses in tech stocks. Sensex was down with losses in metal, real estate and oil & gas stocks. However, it is trading lower today, in line with other Asian markets.

Table 1 – Stock markets

	14-05-2026	15-05-2026	Change, %
Dow Jones	50,063	49,526	(1.1)
S & P 500	7,501	7,409	(1.2)
FTSE	10,373	10,195	(1.7)
Nikkei	62,654	61,409	(2.0)
Hang Seng	26,389	25,963	(1.6)
Shanghai Comp	4,178	4,135	(1.0)
Sensex	75,399	75,238	(0.2)
Nifty	23,690	23,644	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower. US\$ firmed up as investors monitored macro data. GBP declined amidst the ongoing political turmoil in UK. INR depreciated (record low) given the spike in oil prices. It is trading even lower today, and has breached Rs 96/\$ mark. Other Asian currencies are also trading weaker.

Table 2 – Currencies

	14-05-2026	15-05-2026	Change, %
EUR/USD (1 EUR / USD)	1.1669	1.1625	(0.4)
GBP/USD (1 GBP / USD)	1.3403	1.3326	(0.6)
USD/JPY (JPY / 1 USD)	158.37	158.74	(0.2)
USD/INR (INR / 1 USD)	95.77	95.97	(0.2)
USD/CNY (CNY / 1 USD)	6.7872	6.8127	(0.4)
DXI Index	98.82	99.21	0.4

Source: Bloomberg, Bank of Baroda Research



- Global yields closed higher. UK's 10Y yield rose the most, followed by that of Germany and US. Investors are worried about price pressures leading to higher policy rates for longer. Debt and fiscal deficit levels also remain a concern. India's 10Y yield rose by 4bps, tracking rise in domestic fuel prices. It is trading even higher at 7.13% today, following global cues.

Table 3 – Bond 10Y yield

	14-05-2026	15-05-2026	Change, bps
US	4.48	4.59	11
UK	4.99	5.17	18
Germany	3.04	3.17	12
Japan	2.63	2.72	8
China	1.75	1.76	1
India	7.02	7.06	4

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	14-05-2026	15-05-2026	Change, bps
Tbill-91 days	5.37	5.42	5
Tbill-182 days	5.56	5.54	(2)
Tbill-364 days	5.76	5.73	(3)
G-Sec 2Y	6.24	6.37	13
India OIS-2M	5.44	5.48	4
India OIS-9M	5.89	5.96	7
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.59	3.56	(3)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	14-05-2026	15-05-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.2	2.5	0.3

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	13-05-2026	14-05-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(380.6)	(27.7)	352.9
Debt	29.1	(143.8)	(172.9)
Equity	(409.7)	116.1	525.8
Mutual funds (Rs cr)	(188.1)	(1,407.7)	(1,219.6)
Debt	(5,931.2)	(5,808.9)	122.3
Equity	5,743.1	4,401.1	(1,341.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 8 May and 11 May 2026

- Oil prices have inched up, tracking news of fading chances of peace talks between US and Iran.

Table 7 – Commodities

	14-05-2026	15-05-2026	Change, %
Brent crude (US\$/bbl)	105.7	109.3	3.3
Gold (US\$/ Troy Ounce)	4,652.0	4,540.1	(2.4)
Copper (US\$/ MT)	13,894.7	13,503.1	(2.8)
Zinc (US\$/MT)	3,566.2	3,519.2	(1.3)
Aluminium (US\$/MT)	3,657.5	3,563.0	(2.6)

Source: Bloomberg, Bank of Baroda Research



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