MORNING MOCHA

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Economist
Aditi Gupta

Continued uncertainty over geo-political developments and inflationary risks have left global central banks in a tight spot. Bank of Japan raised its policy rate to a 31-year high of 1.25% by a 7-2 vote, in line with expectations. Separate data showed that core inflation (ex. food and fuel) in Japan was steady at 1.9% in Aug'26, largely due to government support measures. Even so, risks to the inflation outlook remain from higher oil prices and imported inflation due to a weaker yen. Bank of England kept its policy rate steady at 3.75% by a 6-3 vote but stated that rates are likely to increase if the war goes on. Separately, inflation in the Euro Area inched up to 3.2% in Aug'26 from 2.9% in Jul'26, driven by higher energy prices. Separately, US jobless claims dipped by 10,000 to 196,000 in the week ended 12 Sep 2026. On the other hand, housing starts declined by 2.6% in Aug'26, as mortgage rates remained elevated.

- Global indices closed mixed. US markets rebounded, supported by lower oil prices, rally in technology stocks and Fed's measures to rein in inflation. Gains in Nikkei were supported by stocks of chipmakers. Sensex ended flat. Gains in power, real estate were offset by losses in banking and oil & gas sectors. However, it is trading higher today, in line with other Asian stocks.

Table 1 – Stock markets

	16-09-2026	17-09-2026	Change, %
Dow Jones	51,462	51,778	0.6
S & P 500	7,552	7,638	1.1
FTSE	10,688	10,816	1.2
Nikkei	63,923	64,136	0.3
Hang Seng	24,714	24,604	(0.4)
Shanghai Comp	3,892	3,876	(0.4)
Sensex	74,336	74,315	0
Nifty	23,218	23,271	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY eased on mixed macro data. EUR rose by 0.1% as higher inflation in the Euro Area boosted hopes of more rate hikes. INR was broadly unchanged tracking lower oil prices and FII inflows. It is trading stronger today, in line with other Asian currencies.

Table 2 – Currencies

	16-09-2026	17-09-2026	Change, %
EUR/USD (1 EUR / USD)	1.1465	1.1476	0.1
GBP/USD (1 GBP / USD)	1.3381	1.3359	(0.2)
USD/JPY (JPY / 1 USD)	156.26	155.97	0.2
USD/INR (INR / 1 USD)	95.96	95.94	0
USD/CNY (CNY / 1 USD)	6.7091	6.7061	0
DXY Index	100.25	100.10	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except China, other major yields moderated. US 10Y yield fell the most by 9bps, as US Fed embarked on rate hike cycle and asserted its independence. Yield in UK was impacted by BoE's announcement to pause sale of government bonds for next 6 months and halt sale of long-dated papers entirely. India's 10Y fell by 1bps, tracking dip in oil prices, and is trading stable at 7.05% today.

Table 3 – Bond 10Y yield

	16-09-2026	17-09-2026	Change, bps
US	5.02	4.93	(9)
UK	5.30	5.22	(7)
Germany	3.51	3.48	(3)
Japan	3.01	3.00	(1)
China	1.68	1.68	0
India	7.05	7.05	(1)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	16-09-2026	17-09-2026	Change, bps
Tbill-91 days	5.28	5.33	5
Tbill-182 days	5.73	5.73	0
Tbill-364 days	6.02	6.02	0
G-Sec 2Y	6.28	6.31	4
India OIS-2M	5.39	5.40	1
India OIS-9M	5.92	5.89	(3)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.64	3.62	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	16-09-2026	17-09-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	7.4	6.9	(0.5)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	15-09-2026	16-09-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(525.5)	(354.0)	171.5
Debt	(201.7)	(292.7)	(91.0)
Equity	(323.8)	(61.3)	262.5
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 eased slightly, as markets expect limited supply disruptions, despite attacks on Saudi Arabia oil infrastructure.

Table 7 – Commodities

	16-09-2026	17-09-2026	Change, %
Brent crude (US$/bbl)	105.8	104.8	(1.0)
Gold (US$/ Troy Ounce)	4,263.7	4,341.7	1.8
Copper (US$/ MT)	14,201.2	14,491.4	2.0
Zinc (US$/MT)	3,900.9	3,964.5	1.6
Aluminium (US$/MT)	3,269.0	3,301.5	1.0

Source: Bloomberg, Bank of Baroda Research

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For further details about this publication, please contact:

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