

MORNING MOCHA

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ECONOMIST

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Minutes of the Fed's latest meeting indicated that members remained concerned over inflation, even as labour market appeared to be stabilizing. Members remained split on the future course of monetary policy with some members also proposing possible rate hikes. Separately, US jobless claims for the week ended 14 Feb 2026 declined by 23,000 to 206,000 (est. 225,000). On the other hand, US trade deficit surged to US\$ 70.3bn in Dec'25 (est. US\$ 55.5bn), led by higher imports (+3.6%). Goods exports declined by 1.7%. Core inflation in Japan eased to 2% in Jan'26 from 2.4% in Dec'25, and meeting the central bank's target. Separate data also showed that Japan's flash composite PMI rose to 53.8 in Feb'26 from 53.1 in Jan'26, marking the fastest pace of expansion since May'23. This was led by improvement in both manufacturing and services sector activity.

- Market sentiments remained cautious tracking geopolitical tensions between US and Iran. FTSE fell the most, followed by Dow Jones. Fed minutes signalling pause in Fed rate also impacted US stocks. Nikkei edged up tracking a weaker currency. Sensex declined led by real estate, power and capital goods stocks. It is trading higher today, in line with other Asian stocks.

Table 1 – Stock markets

	18-02-2026	19-02-2026	Change, %
Dow Jones	49,663	49,395	(0.5)
S & P 500	6,881	6,862	(0.3)
FTSE	10,686	10,627	(0.6)
Nikkei	57,144	57,468	0.6
Hang Seng	26,567	26,706	0.5
Shanghai Comp	4,134	4,082	(1.3)
Sensex	83,734	82,498	(1.5)
Nifty	25,819	25,454	(1.4)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Hong Kong and China were closed on 19 Feb 2026

- Global currencies ended broadly weaker against the dollar. DXY rose by 0.2% tracking some hawkishness in Fed minutes. GBP depreciated as a slowdown in UK's inflation raised prospects of a rate cut. INR ended stable. However, it is trading weaker today, in line with other Asian currencies.

Table 2 – Currencies

	18-02-2026	19-02-2026	Change, %
EUR/USD (1 EUR / USD)	1.1783	1.1773	(0.1)
GBP/USD (1 GBP / USD)	1.3495	1.3465	(0.2)
USD/JPY (JPY / 1 USD)	154.81	155.01	(0.1)
USD/INR (INR / 1 USD)	90.69	90.68	0
USD/CNY (CNY / 1 USD)	6.9017	6.9049	0
DXY Index	97.70	97.93	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and India were closed on 19 Feb 2026



- Global 10Y yields traded in narrow ranges tracking movement of major asset classes such as oil and gold. US 10Y yield softened due to risk off sentiments amidst tensions surrounding US and Iran. India's 10Y rose marginally in the last trading session. It is trading higher at 6.71% today, ahead of the weekly auction.

Table 3 – Bond 10Y yield

	18-02-2026	19-02-2026	Change, bps
US	4.08	4.07	(2)
UK	4.37	4.37	(1)
Germany	2.74	2.74	0
Japan	2.15	2.15	0
China	1.78	1.79	1
India	6.66	6.68	2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and India were closed on 17 Feb 2026

Table 4 – Short term rates

	17-02-2026	18-02-2026	Change, bps
Tbill-91 days	5.32	5.31	(1)
Tbill-182 days	5.43	5.53	10
Tbill-364 days	5.56	5.59	3
G-Sec 2Y	5.77	5.66	(11)
India OIS-2M	5.32	5.32	0
India OIS-9M	5.42	5.42	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.71	3.73	2

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	17-02-2026	18-02-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.6	2.5	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	16-02-2026	17-02-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(471.9)	97.2	569.1
Debt	199.5	120.9	(78.7)
Equity	(671.4)	(23.6)	647.8
Mutual funds (Rs cr)	799.0	(7,352.4)	(8,151.4)
Debt	(2,723.6)	(8,276.8)	(5,553.2)
Equity	3,522.6	924.4	(2,598.2)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 13 Feb & 16 Feb 2026

- Oil prices inched up as tensions between US and Iran escalated.

Table 7 – Commodities

	18-02-2026	19-02-2026	Change, %
Brent crude (US\$/bbl)	70.4	71.7	1.9
Gold (US\$/ Troy Ounce)	4,977.6	4,996.1	0.4
Copper (US\$/ MT)	12,816.8	12,713.6	(0.8)
Zinc (US\$/MT)	3,321.7	3,311.2	(0.3)
Aluminium (US\$/MT)	3,089.0	3,067.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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