## MORNING MOCHA

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Global Central Banks have begun the rate tightening cycle to manage the inflation, fueled by West Asia conflict. Barring BoE, other banks proceed with rate hike. Separately, as per the LSEG data, global equity funds this week, registered the largest weekly outflows in over 9 months, to the tune of US$ 23.2bn. This was due to the concerns of elevated inflation and expectations of rate hike. Investors turned cautious and withdrew US$ 31.4bn from US equity. On the other hand, equity inflows of US$ 6.3bn were noted for Asian funds. The focus this week will be towards various commentaries by Fed policymakers on rate trajectory. Investors are already pricing in (55% from 42.5% earlier) another rate hike in Oct'26. Moreover, manufacturing and services activity too will provide information on consumer and production trends.

- Global stock indices closed mixed amidst rising treasury yields and tracking ongoing developments in the Middle East. S&P 500 inched up as 3 out of 11 sectors closed in green (technology, financials and industrials). Amongst other indices, Nikkei rose the most supported by gains in AI related stocks. Sensex closed steady. It is trading higher today in line with other Asian stocks.

**Table 1 – Stock markets**

| | 17-09-2026 | 18-09-2026 | Change, % |
|---|---|---|---|
| Dow Jones | 51,778 | 51,683 | (0.2) |
| S & P 500 | 7,638 | 7,651 | 0.2 |
| FTSE | 10,816 | 10,659 | (1.5) |
| Nikkei | 64,136 | 65,019 | 1.4 |
| Hang Seng | 24,604 | 24,751 | 0.6 |
| Shanghai Comp | 3,876 | 3,912 | 0.9 |
| Sensex | 74,315 | 74,295 | 0 |
| Nifty | 23,271 | 23,346 | 0.3 |

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies ended stronger against a weaker dollar. JPY depreciated despite BoJ's rate hike, as investors reassessed prospects of more rate hikes. INR gained marginally as oil prices drifted lower. It is trading stronger today, while other Asian currencies are trading mixed.

**Table 2 – Currencies**

| | 17-09-2026 | 18-09-2026 | Change, % |
|---|---|---|---|
| EUR/USD (1 EUR / USD) | 1.1476 | 1.1486 | 0.1 |
| GBP/USD (1 GBP / USD) | 1.3359 | 1.3395 | 0.3 |
| USD/JPY (JPY / 1 USD) | 155.97 | 156.88 | (0.6) |
| USD/INR (INR / 1 USD) | 95.94 | 95.87 | 0.1 |
| USD/CNY (CNY / 1 USD) | 6.7061 | 6.6977 | 0.1 |
| DXY Index | 100.25 | 100.22 | 0 |

Source: Bloomberg, Bank of Baroda Research

- Except Japan, other global yields edged up. US 10Y yield rose by 7bps to 5%, as investors expect more rate hikes by the Fed. In Japan, 10Y yield edged down as dissent by 2 board members put the future of more rate hikes in jeopardy. India's 10Y yield rose by 2bps tracking other global yields. It is trading lower at 7.06% today.

**Table 3 – Bond 10Y yield**

| | 17-09-2026 | 18-09-2026 | Change, bps |
|---|---|---|---|
| US | 4.93 | 5.00 | 7 |
| UK | 5.22 | 5.30 | 7 |
| Germany | 3.48 | 3.52 | 4 |
| Japan | 3.00 | 2.99 | (1) |
| China | 1.68 | 1.69 | 0 |
| India | 7.05 | 7.07 | 2 |

Source: Bloomberg, Bank of Baroda Research

**Table 4 – Short term rates**

| | 17-09-2026 | 18-09-2026 | Change, bps |
|---|---|---|---|
| Tbill-91 days | 5.33 | 5.37 | 4 |
| Tbill-182 days | 5.73 | 5.74 | 1 |
| Tbill-364 days | 6.02 | 6.03 | 1 |
| G-Sec 2Y | 6.28 | 6.31 | 4 |
| India OIS-2M | 5.40 | 5.39 | (1) |
| India OIS-9M | 5.89 | 5.91 | 2 |
| SONIA int rate benchmark | 3.73 | 3.73 | 0 |
| US SOFR | 3.62 | 3.85 | 23 |

Source: Bloomberg, Bank of Baroda Research

**Table 5 – Liquidity**

| Rs tn | 17-09-2026 | 18-09-2026 | Change (Rs tn) |
|---|---|---|---|
| Net Liquidity (-deficit/+surplus) | 6.9 | 6.2 | (0.7) |

Source: RBI, Bank of Baroda Research

**Table 6 – Capital market flows**

| | 16-09-2026 | 17-09-2026 | change (US$ mn/Rs cr) |
|---|---|---|---|
| FII (US$ mn) | (354.0) | (277.9) | 76.0 |
| Debt | (292.7) | 52.1 | 344.7 |
| Equity | (61.3) | (330.0) | (268.7) |
| 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 slipped amidst easing supply concerns.

**Table 7 – Commodities**

| | 17-09-2026 | 18-09-2026 | Change, % |
|---|---|---|---|
| Brent crude (US$/bbl) | 104.8 | 103.9 | (0.9) |
| Gold (US$/ Troy Ounce) | 4,341.7 | 4,378.6 | 0.9 |
| Copper (US$/ MT) | 14,491.4 | 14,543.1 | 0.4 |
| Zinc (US$/MT) | 3,964.5 | 4,015.5 | 1.3 |
| Aluminium (US$/MT) | 3,301.5 | 3,288.5 | (0.4) |

Source: Bloomberg, Bank of Baroda Research

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