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Bank of Baroda

## MORNING MOCHA

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The ongoing diplomatic progress between US-Iran took a back seat, bringing back the uncertainty amidst the recent attack by the Houthi on the oil facilities in Saudi Arabia. Separately, investors are now pricing more hikes, given the recent hawkish commentary by Fed policy makers. The Philadelphia Fed president stated the inflation target of 2% continues to remain the top priority and they will support the policy path that helps in achieving the same, while managing any risks. On data front, US composite PMI surged to 58.4 in Sep'26 (highest print since Jul'21) from 56 level in Aug'26, led by higher new orders. The risk of inflation pressures has built up further, making a much stronger case of rate hike to contain inflation. Against this backdrop, US treasury yields have hit a multi-year high as bond sell-off has intensified. The 30Y yield climbed to its highest level since 2004.

- Global stock indices closed lower. Shanghai Comp fell the most among Asian stocks albeit some reported optimism over recent US-China meeting. US indices moderated as better new home sales data again strengthened case for a tighter policy. Sensex edged down led by banking stocks. It is trading higher today, while Asian stocks are trading mixed.

**Table 1 – Stock markets**

| | 23-09-2026 | 24-09-2026 | Change, % |
|---|---|---|---|
| Dow Jones | 51,512 | 51,350 | (0.3) |
| S & P 500 | 7,706 | 7,704 | 0 |
| FTSE | 10,705 | 10,680 | (0.2) |
| Nikkei | 65,019 | 65,514 | 0.8 |
| Hang Seng | 24,834 | 24,761 | (0.3) |
| Shanghai Comp | 3,937 | 3,888 | (1.2) |
| Sensex | 74,828 | 73,581 | (1.7) |
| Nifty | 23,447 | 23,063 | (1.6) |

Source: Bloomberg, Bank of Baroda Research Note: Japanese market was shut on 23rd Sep 2026

- Global currencies closed mixed. Dollar index strengthened (near 2-month high) as Fed is expected to keep rates elevated and was also supported by stronger macro data. INR depreciated by 0.2% as oil prices inched up further. However, it is trading higher today, while other Asian currencies are trading mixed.

**Table 2 – Currencies**

| | 23-09-2026 | 24-09-2026 | Change, % |
|---|---|---|---|
| EUR/USD (1 EUR / USD) | 1.1382 | 1.1380 | 0 |
| GBP/USD (1 GBP / USD) | 1.3239 | 1.3219 | (0.2) |
| USD/JPY (JPY / 1 USD) | 158.32 | 158.86 | (0.3) |
| USD/INR (INR / 1 USD) | 95.75 | 95.96 | (0.2) |
| USD/CNY (CNY / 1 USD) | 6.7111 | 6.7129 | 0 |
| DXY Index | 101.10 | 101.29 | 0.2 |

Source: Bloomberg, Bank of Baroda Research

- Global yields firmed up as higher energy costs kept inflationary expectations elevated. Further, better new homes sales data in the US solidified growth prospects and signalled tighter policy. US 10Y yield rose the most by 8bps. India's 10Y yield rose to its highest since 21-May-2026 to 7.11%, tracking oil prices and taking global cues. It is trading higher at 7.13% today.

**Table 3 – Bond 10Y yield**

| | 23-09-2026 | 24-09-2026 | Change, bps |
|---|---|---|---|
| US | 5.11 | 5.20 | 8 |
| UK | 5.35 | 5.38 | 3 |
| Germany | 3.56 | 3.60 | 4 |
| Japan | 2.99 | 3.08 | 9 |
| China | 1.67 | 1.67 | 0 |
| India | 7.05 | 7.11 | 6 |

Source: Bloomberg, Bank of Baroda Research Note: Japanese market was shut on 23rd Sep 2026

**Table 4 – Short term rates**

| | 23-09-2026 | 24-09-2026 | Change, bps |
|---|---|---|---|
| Tbill-91 days | 5.38 | 5.39 | 1 |
| Tbill-182 days | 5.80 | 5.81 | 1 |
| Tbill-364 days | 6.07 | 6.08 | 1 |
| G-Sec 2Y | 6.56 | 6.54 | (2) |
| India OIS-2M | 5.47 | 5.48 | 1 |
| India OIS-9M | 5.94 | 5.99 | 5 |
| SONIA int rate benchmark | 3.73 | 3.73 | 0 |
| US SOFR | 3.85 | 3.87 | 2 |

Source: Bloomberg, Bank of Baroda Research

**Table 5 – Liquidity**

| Rs tn | 23-09-2026 | 24-09-2026 | Change (Rs tn) |
|---|---|---|---|
| Net Liquidity (-deficit/+surplus) | 4.3 | 4.3 | 0 |

Source: RBI, Bank of Baroda Research

**Table 6 – Capital market flows**

| | 22-09-2026 | 23-09-2026 | change (US$ mn/Rs cr) |
|---|---|---|---|
| FII (US$ mn) | (276.3) | 783.8 | 1,060.2 |
| Debt | (5.7) | 29.7 | 35.3 |
| Equity | (270.7) | 754.2 | 1,024.9 |
| Mutual funds (Rs cr) | (2,080.6) | (575.3) | 1,505.3 |
| Debt | (2,373.8) | (1,762.4) | 611.3 |
| Equity | 293.1 | 1,187.1 | 894.0 |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Funds data as of 18 Sep & 21 Sep 2026

- Oil prices inched up. However, it is trading a tad lower amidst reports of a likely phased deal to open Strait of Hormuz.

**Table 7 – Commodities**

| | 23-09-2026 | 24-09-2026 | Change, % |
|---|---|---|---|
| Brent crude (US$/bbl) | 103.1 | 106.6 | 3.4 |
| Gold (US$/ Troy Ounce) | 4,287.7 | 4,275.0 | (0.3) |
| Copper (US$/ MT) | 14,686.9 | 14,745.8 | 0.4 |
| Zinc (US$/MT) | 3,966.9 | 4,061.0 | 2.4 |
| Aluminium (US$/MT) | 3,255.0 | 3,250.0 | (0.2) |

Source: Bloomberg, Bank of Baroda Research

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