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In line with expectations, US Fed held rates steady at 3.5-3.75% in its meeting with a 10-2 vote. In the monetary policy statement, the Fed Chair noted that while growth remains on a strong footing, risks to both inflation and employment have eased. This is likely to keep the central bank on an extended pause. In particular, the Fed estimates the full impact of tariff driven price hikes to taper out by mid-2026. Hence, the decision to lower rates further would depend on incoming data and will be contingent on the inflation trajectory. In Germany, GfK's consumer confidence index is estimated to have improved to -24.1 in Feb'26 from -26.9 in Jan'26, led by rising income expectations. In India, IIP growth rose to a near 2-year high at 7.8% in Dec'25, compared with 3.7% in Dec'24. This was led by a sharp improvement in manufacturing output (8.1% in Dec'25 versus 3.7% in Dec'24).

- US stocks traded thinly as investors remained cautious tracking dollar movement. FTSE moderated, in line with the decline noted in European stocks. Asian stocks closed higher, with Hang Seng rising to its highest since Jul'21, supported by a tech led rally. Sensex also inched up, led by oil and gas and power stocks. It is trading lower today, while Asian stocks are trading mixed.

Table 1 – Stock markets

	27-01-2026	28-01-2026	Change, %
Dow Jones	49,003	49,016	0
S & P 500	6,979	6,978	0
FTSE	10,208	10,154	(0.5)
Nikkei	53,334	53,359	0
Hang Seng	27,127	27,827	2.6
Shanghai Comp	4,140	4,151	0.3
Sensex	81,857	82,345	0.6
Nifty	25,175	25,343	0.7

Source: Bloomberg, Bank of Baroda Research

- DXY reversed course and rose by 0.2% after the Fed decision's to leave rates on hold. Despite an uptick in consumer morale in Germany, EUR slipped. INR also depreciated tracking higher oil prices. It is trading further weaker today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	27-01-2026	28-01-2026	Change, %
EUR/USD (1 EUR / USD)	1.2041	1.1954	(0.7)
GBP/USD (1 GBP / USD)	1.3849	1.3808	(0.3)
USD/JPY (JPY / 1 USD)	152.21	153.41	(0.8)
USD/INR (INR / 1 USD)	91.72	91.79	(0.1)
USD/CNY (CNY / 1 USD)	6.9546	6.9484	0.1
DXY Index	96.22	96.45	0.2

Source: Bloomberg, Bank of Baroda Research



- Japan's 10Y yield declined by 5bps tracking a weaker JPY. The volatility in Japan's 10Y yield has risen in the run up to the elections. US 10Y yield closed stable. India's 10Y yield rose by 2bps on account of expectations of higher supply. It is trading further higher at 6.72% today.

Table 3 – Bond 10Y yield

	27-01-2026	28-01-2026	Change, bps
US	4.24	4.24	0
UK	4.53	4.54	2
Germany	2.88	2.86	(2)
Japan	2.29	2.24	(5)
China	1.83	1.82	(1)
India	6.72	6.70	(2)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	27-01-2026	28-01-2026	Change, bps
Tbill-91 days	5.47	5.48	1
Tbill-182 days	5.54	5.67	13
Tbill-364 days	5.70	5.72	2
G-Sec 2Y	5.86	5.85	(1)
India OIS-2M	5.38	5.37	(1)
India OIS-9M	5.54	5.51	(3)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.66	3.66	0

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	27-01-2026	28-01-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.8	0.7	(0.1)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	23-01-2026	27-01-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(312.0)	(681.3)	(369.3)
Debt	38.7	(194.6)	(233.4)
Equity	(350.7)	(486.6)	(135.9)
Mutual funds (Rs cr)	(2,021.1)	(6,310.4)	(4,289.2)
Debt	(5,198.9)	(9,274.7)	(4,075.8)
Equity	3,177.8	2,964.4	(213.4)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 22 Jan and 23 Jan 2026

- Oil prices rose further as investors monitored developments in Iran-US relations.

Table 7 – Commodities

	27-01-2026	28-01-2026	Change, %
Brent crude (US\$/bbl)	67.6	68.4	1.2
Gold (US\$/ Troy Ounce)	5,180.2	5,417.2	4.6
Copper (US\$/ MT)	12,912.7	12,985.4	0.6
Zinc (US\$/MT)	3,320.2	3,331.9	0.4
Aluminium (US\$/MT)	3,207.0	3,257.0	1.6

Source: Bloomberg, Bank of Baroda Research



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