

MORNING MOCHA

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ECONOMIST

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Yesterday US and India announced that a trade deal has been finalised between both countries, which will bring US tariffs on imports of made in India products down to 18% from 50% earlier. Details of the same are still awaited. This is expected to give a significant boost to labour intensive sectors. Separately, US macro data shows that ISM manufacturing index jumped to 52.6 in Jan'26 from 47.9 in Dec'25, supported significant improvement in new orders, production and employment index. Input price index also inched up a tad. Elsewhere in Eurozone (49.5 versus 48.8), UK (51.8 versus 50.6), Japan (51.5 versus 50) and India (55.4 versus 55) as well, manufacturing PMI rose in Jan'26 versus last month. In India, the pickup was on account of gains in new orders (mainly domestic) and employment.

- Barring markets in East Asia, other global indices closed higher. US markets closed higher noting relatively strong earnings growth numbers. Shanghai Comp and Hang Seng dropped the most. Sensex rose by 1.2%, tracking gains in power, auto and metal stocks. It is trading sharply higher today, following the news of India-US trade deal. Other Asian indices are also trading higher.

Table 1 – Stock markets

	30-01-2026	02-02-2026	Change, %
Dow Jones	48,892	49,408	1.1
S & P 500	6,939	6,976	0.5
FTSE	10,224	10,342	1.2
Nikkei	53,323	52,655	(1.3)
Hang Seng	27,387	26,776	(2.2)
Shanghai Comp	4,118	4,016	(2.5)
Sensex	80,723	81,666	1.2
Nifty	24,825	25,088	1.1

Source: Bloomberg, Bank of Baroda Research| Note: Data for Indian markets is as of 1 Feb 2026

- Global currencies ended mixed. DXY rose by 0.7% tracking upbeat ISM manufacturing data. EUR and JPY fell by 0.5% each. CNY rose marginally. INR got support from structural measures announced in the Budget to stimulate growth. However, it is trading further stronger today helped by optimism around US-India trade deal. Other Asian currencies are also trading higher.

Table 2 – Currencies

	30-01-2026	02-02-2026	Change, %
EUR/USD (1 EUR / USD)	1.1851	1.1791	(0.5)
GBP/USD (1 GBP / USD)	1.3686	1.3666	(0.1)
USD/JPY (JPY / 1 USD)	154.78	155.63	(0.5)
USD/INR (INR / 1 USD)	91.99	91.52	0.5
USD/CNY (CNY / 1 USD)	6.9569	6.9453	0.2
DXY Index	96.99	97.63	0.7

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield inched up tracking robust manufacturing data. UK's 10Y yield softened by 2bps albeit a better housing data. Elsewhere, 10Y yield traded thinly. India's 10Y yield showed sharp upward momentum post Budget session, on account of gross borrowing numbers of Centre. It is trading lower at 6.72% today. All eyes are now on RBI policy decision.

Table 3 – Bond 10Y yield

	30-01-2026	02-02-2026	Change, bps
US	4.24	4.28	4
UK	4.52	4.51	(2)
Germany	2.84	2.87	2
Japan	2.25	2.24	(1)
China	1.81	1.82	1
India	6.70	6.77	7

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	30-01-2026	02-02-2026	Change, bps
Tbill-91 days	5.42	5.40	(2)
Tbill-182 days	5.63	5.61	(2)
Tbill-364 days	5.71	5.69	(2)
G-Sec 2Y	5.82	5.84	2
India OIS-2M	5.41	5.36	(5)
India OIS-9M	5.50	5.47	(3)
SONIA int rate benchmark	3.72	3.73	0
US SOFR	3.65	3.68	3

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	30-01-2026	02-02-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.5	1.7	0.2

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	29-01-2026	30-01-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	134.6	549.3	414.7
Debt	142.4	341.9	199.5
Equity	(7.9)	207.4	215.2
Mutual funds (Rs cr)	(5,102.2)	(3,471.2)	1,631.0
Debt	(8,149.9)	(5,202.2)	2,947.7
Equity	3,047.7	1,731.0	(1,316.7)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 28 Jan and 29 Jan 2026

- Oil prices remain stable as investors note the impact of halting of production hike by OPCE+ from Mar'26 and ongoing tensions between US and Iran.

Table 7 – Commodities

	30-01-2026	02-02-2026	Change, %
Brent crude (US\$/bbl)	70.7	70.7	0
Gold (US\$/ Troy Ounce)	5,375.2	4,894.2	(8.9)
Copper (US\$/ MT)	13,524.2	13,067.6	(3.4)
Zinc (US\$/MT)	3,389.6	3,393.6	0.1
Aluminium (US\$/MT)	3,218.5	3,144.0	(2.3)

Source: Bloomberg, Bank of Baroda Research



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