

MORNING MOCHA

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Reserve Bank of Australia became the first Central Bank to start the year with the tightening cycle as it hiked the cash rate by 25bps to 3.85%. The RBA noted that higher inflation, tighter supply constraint and strong labour market as the key drivers behind the increase. Given the hawkish tone, analysts expect another hike in the near term. Separately, Yen turned weaker amidst sell-off. This comes ahead of the election outcome this week. Services PMI in Japan rose to an 11-month high to 53.7 in Jan'25 from 51.6 in Dec'25. With this composite PMI inched up to 53.1 (from 51.1) on the back of broad based recovery and supported by strong demand conditions. In China, services PMI rose at its fastest pace in 3-months from 51.3 to 51.6 in Jan'26.

- Global indices closed mixed. US markets closed lower with news report of advancements in AI is expected to adversely impact IT firms. There were also some geopolitical concerns ahead of US Iran nuclear talk scheduled later this week. Sensex surged higher with strong gains noted in real estate and consumer durable stocks. It is trading further higher today while other Asian indices are trading lower.

Table 1 – Stock markets

	02-02-2026	03-02-2026	Change, %
Dow Jones	49,408	49,241	(0.3)
S & P 500	6,976	6,918	(0.8)
FTSE	10,342	10,315	(0.3)
Nikkei	52,655	54,721	3.9
Hang Seng	26,776	26,835	0.2
Shanghai Comp	4,016	4,068	1.3
Sensex	81,666	83,739	2.5
Nifty	25,088	25,728	2.5

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies ended higher. DXY fell by 0.2% as investors monitored developments around partial government shutdown. INR noted substantial gains (124paise; 1.4%), as traders cheered news of US lowering tariffs on Indian products. However, it is trading weaker today amidst renewed dollar buying by large corporates. Other Asian currencies are trading higher.

Table 2 – Currencies

	02-02-2026	03-02-2026	Change, %
EUR/USD (1 EUR / USD)	1.1791	1.1819	0.2
GBP/USD (1 GBP / USD)	1.3666	1.3697	0.2
USD/JPY (JPY / 1 USD)	155.63	155.75	(0.1)
USD/INR (INR / 1 USD)	91.52	90.27	1.4
USD/CNY (CNY / 1 USD)	6.9453	6.9385	0.1
DXY Index	97.63	97.44	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Barring US, China and India, other global 10Y yield inched up. US 10Y yield fell by 1bps, following the news that government estimated to borrow less in Q1CY26, given rise in its opening cash balance. Japan's 10Y yield rose ahead of upcoming federal election. India's 10Y yield fell by 3bps, tracking the news of optimism around US-India trade deal. It is trading further lower at 6.72% today.

Table 3 – Bond 10Y yield

	02-02-2026	03-02-2026	Change, bps
US	4.28	4.27	(1)
UK	4.51	4.52	1
Germany	2.87	2.89	2
Japan	2.24	2.27	2
China	1.82	1.82	0
India	6.77	6.73	(3)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	02-02-2026	03-02-2026	Change, bps
Tbill-91 days	5.40	5.42	2
Tbill-182 days	5.61	5.60	(1)
Tbill-364 days	5.69	5.66	(3)
G-Sec 2Y	5.84	5.81	(3)
India OIS-2M	5.36	5.35	(1)
India OIS-9M	5.47	5.46	(1)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.68	3.69	1

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	02-02-2026	03-02-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	1.7	2.2	0.5

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	30-01-2026	02-02-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	549.3	(162.7)	(712.0)
Debt	341.9	(40.8)	(382.7)
Equity	207.4	(121.9)	(329.3)
Mutual funds (Rs cr)	(5,314.0)	(1,037.7)	4,276.3
Debt	(3,875.1)	3.0	3,878.1
Equity	(1,438.9)	(1,040.7)	398.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 30 Jan and 1Feb 2026

- Oil prices jumped up amidst escalated tensions between US and Iran.

Table 7 – Commodities

	02-02-2026	03-02-2026	Change, %
Brent crude (US\$/bbl)	66.3	67.3	1.6
Gold (US\$/ Troy Ounce)	4,661.4	4,946.8	6.1
Copper (US\$/ MT)	12,832.3	13,408.6	4.5
Zinc (US\$/MT)	3,318.2	3,312.6	(0.2)
Aluminium (US\$/MT)	3,056.0	3,106.5	1.7

Source: Bloomberg, Bank of Baroda Research



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