

MORNING MOCHA

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 ECONOMIST
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Bank of England is expected to maintain status quo on rates today, after reducing rates by 25bps (3.75%) in the last meeting in Dec'25. Analyst expect 2-more rate cuts in CY26 and will await committee's guidance on the same. ECB is also likely to hold rates. There is expectation of a dovish commentary. Eurozone inflation had recently eased to 1.7% in Jan'26 from 2% in Dec'25, with core inflation at 2.2% (lowest reading since Oct'21). In India, RBI is also expected to keep rates steady and neutral stance is likely to be maintained. Though, there could be some announcement on CRR cuts in order to infuse liquidity. Separately, in the US, private payrolls inched up by 22,000 in Jan'26 much lower than expected and even less than the 37,000 increase noted in Dec'25. Wage growth largely remained stable.

- Global indices closed mixed ahead of the global Central Bank rate decisions. S&P 500 closed lower amidst sell-off noted in software stocks. Sensex advanced further with the focus turning towards quarterly earnings reports. Strong gains noted in consumer durable and oil & gas stocks. However, it is trading lower today in line with other Asian indices.

Table 1 – Stock markets

	03-02-2026	04-02-2026	Change, %
Dow Jones	49,241	49,501	0.5
S & P 500	6,918	6,883	(0.5)
FTSE	10,315	10,402	0.9
Nikkei	54,721	54,293	(0.8)
Hang Seng	26,835	26,847	0
Shanghai Comp	4,068	4,102	0.8
Sensex	83,739	83,818	0.1
Nifty	25,728	25,776	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower. DXY rose by 0.2%, as Fed is expected to remain on hold in Q1CY26. JPY and GBP fell the most. Yen continues to battle election related concerns. INR fell by 0.2%, as investors remain cautious amidst limited details available about the US-India trade deal. It is trading at broadly similar levels today, while other Asian currencies are trading weaker.

Table 2 – Currencies

	03-02-2026	04-02-2026	Change, %
EUR/USD (1 EUR / USD)	1.1819	1.1807	(0.1)
GBP/USD (1 GBP / USD)	1.3697	1.3654	(0.3)
USD/JPY (JPY / 1 USD)	155.75	156.86	(0.7)
USD/INR (INR / 1 USD)	90.27	90.43	(0.2)
USD/CNY (CNY / 1 USD)	6.9385	6.9439	(0.1)
DXY Index	97.44	97.62	0.2

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 1bps, as investors monitored latest macro data (ADP employment and ISM services index). UK's bond yield rose the most, noting sharp jump in services PMI index. India's 10Y yield fell by another 3bps, awaiting liquidity support measures from RBI. It is trading further lower at 6.69% today.

Table 3 – Bond 10Y yield

	03-02-2026	04-02-2026	Change, bps
US	4.27	4.27	1
UK	4.52	4.55	3
Germany	2.89	2.86	(3)
Japan	2.27	2.26	(1)
China	1.82	1.82	0
India	6.72	6.70	(3)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	03-02-2026	04-02-2026	Change, bps
Tbill-91 days	5.42	5.33	(9)
Tbill-182 days	5.60	5.58	(2)
Tbill-364 days	5.66	5.61	(5)
G-Sec 2Y	5.81	5.78	(3)
India OIS-2M	5.35	5.33	(2)
India OIS-9M	5.46	5.44	(2)
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.69	3.69	0

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	03-02-2026	04-02-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.2	2.0	(0.2)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	02-02-2026	03-02-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(162.7)	686.7	849.4
Debt	(40.8)	(149.3)	(108.5)
Equity	(121.9)	836.0	957.9
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 rose by 3%, tracking decline in US crude stocks and tensions around US-Iran peace talks.

Table 7 – Commodities

	03-02-2026	04-02-2026	Change, %
Brent crude (US\$/bbl)	67.3	69.5	3.2
Gold (US\$/ Troy Ounce)	4,946.8	4,964.9	0.4
Copper (US\$/ MT)	13,408.6	12,962.7	(3.3)
Zinc (US\$/MT)	3,312.6	3,286.8	(0.8)
Aluminium (US\$/MT)	3,106.5	3,069.5	(1.2)

Source: Bloomberg, Bank of Baroda Research



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