

MORNING MOCHA

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In line with expectation, Bank of England kept rates on hold at 3.75% in its first meeting for CY26 as risk pertaining to inflation persists. The 9-member committee voted with a narrow margin of 5-4 in favour of holding rates. It was noted that there are further possibilities of easing rates, though the timing 'will depend on the evolution of the outlook of inflation'. ECB too kept the rate unchanged as it expects inflation to stabilize in the medium term, near its target of 2%. ECB President noted that bank will remain data dependent and will not be 'pre-committing to a particular rate path'. Separately, on the domestic front, investors will turn their focus towards RBI. We expect MPC to maintain status quo on rates and no change in stance.

- Except Hang Seng, other global indices closed lower. US indices extended their losses further as sell off intensified amidst growing volatility. S&P 500 software services index declined by 4.6%, amidst escalating concerns around AI related advancement and referring this as 'software-mageddon'. Sensex too ended lower with deep losses in metal and capital good stocks. It is trading further lower today while other Asian indices are trading mixed.

Table 1 – Stock markets

	04-02-2026	05-02-2026	Change, %
Dow Jones	49,501	48,909	(1.2)
S & P 500	6,883	6,798	(1.2)
FTSE	10,402	10,309	(0.9)
Nikkei	54,293	53,818	(0.9)
Hang Seng	26,847	26,885	0.1
Shanghai Comp	4,102	4,076	(0.6)
Sensex	83,818	83,314	(0.6)
Nifty	25,776	25,643	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose by 0.2%, helped by investor demand for US treasuries. GBP fell the most by 0.9%, as BoE's split decision has raised uncertainty around the timing of the next rate cut. INR rose by 0.1% supported by foreign fund inflows. It is trading further higher today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	04-02-2026	05-02-2026	Change, %
EUR/USD (1 EUR / USD)	1.1807	1.1777	(0.3)
GBP/USD (1 GBP / USD)	1.3654	1.3531	(0.9)
USD/JPY (JPY / 1 USD)	156.86	157.04	(0.1)
USD/INR (INR / 1 USD)	90.43	90.35	0.1
USD/CNY (CNY / 1 USD)	6.9439	6.9384	0.1
DXY Index	97.62	97.82	0.2

Source: Bloomberg, Bank of Baroda Research



- Barring China, yields fell elsewhere. US 10Y yield noted a steep decline (-9bps), following news of weak labour market. Also deepening rout in other asset classes led investors to flock towards US safe haven assets. India's treasury 10Y yield also fell by 5bps, ahead of RBI's decision today. It is trading higher at 6.66%.

Table 3 – Bond 10Y yield

	04-02-2026	05-02-2026	Change, bps
US	4.27	4.18	(9)
UK	4.55	4.56	1
Germany	2.86	2.84	(2)
Japan	2.26	2.24	(1)
China	1.82	1.81	0
India	6.70	6.65	(5)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	04-02-2026	05-02-2026	Change, bps
Tbill-91 days	5.33	5.31	(2)
Tbill-182 days	5.58	5.54	(4)
Tbill-364 days	5.61	5.59	(2)
G-Sec 2Y	5.78	5.72	(6)
India OIS-2M	5.33	5.32	(1)
India OIS-9M	5.44	5.44	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.69	3.65	(4)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	04-02-2026	05-02-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.0	2.1	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	03-02-2026	04-02-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	686.7	353.8	(332.8)
Debt	(149.3)	233.1	382.4
Equity	836.0	120.7	(715.3)
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 slipped as US-Iran peace talks remain in focus.

Table 7 – Commodities

	04-02-2026	05-02-2026	Change, %
Brent crude (US\$/bbl)	69.5	67.6	(2.7)
Gold (US\$/ Troy Ounce)	4,964.9	4,779.1	(3.7)
Copper (US\$/ MT)	12,962.7	12,825.4	(1.1)
Zinc (US\$/MT)	3,286.8	3,281.3	(0.2)
Aluminium (US\$/MT)	3,069.5	3,027.0	(1.4)

Source: Bloomberg, Bank of Baroda Research



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