

MORNING MOCHA

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ECONOMIST
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US ISM manufacturing activity contracted for the 10-month in a row down to 47.9 in Dec'25 (lowest since Oct'24) from 48.2 in Nov'25. The slump is largely attributed to weaker demand for new orders and concerns pertaining to tariffs. For the same period, input price index remained steady at 58.5, while employment index inched up to 44.9 (from 44 in Nov'25). Separately, US Fed official Neel Kashkari made comments that inflation is slowly trending downwards and warned there are risks that unemployment might rise. The ongoing turmoil in Venezuela has heated up the metals market with analyst expecting some more volatility amidst the ongoing unrest.

- Except domestic indices, other major equity indices across the globe closed higher as investors monitored ongoing developments related to military strike on Venezuela. Dow Jones surged led by financial and energy stocks. FTSE advanced and breached the 10,000 mark for the first-time supported by gains in mining and defence stocks. Sensex ended lower with losses in oil & gas, IT and media related stocks. However, it is trading lower today, while other Asian global indices are trading higher.

Table 1 – Stock markets

	02-1-2026	05-01-2026	Change, %
Dow Jones	48,382	48,977	1.2
S & P 500	6,858	6,902	0.6
FTSE	9,951	10,005	0.5
Nikkei	50,339	51,833	3.0
Hang Seng	26,338	26,347	0.0
Shanghai Comp	3,969	4,023	1.4
Sensex	85,762	85,440	(0.4)
Nifty	26,329	26,250	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: China's markets also closed on 2 Jan

- Except GBP and JPY, other major currencies ended lower or flat against the US\$. DXY fell as weakness in economic activity remains a concern, in addition to ongoing geo-political tensions. Safe-haven demand helped appreciation in GBP and JPY. INR weakened further and remains above the 90/\$ mark. However, it is trading higher today, in line with other Asian currencies.

Table 2 – Currencies

	02-1-2026	05-01-2026	Change, %
EUR/USD (1 EUR / USD)	1.1724	1.1722	0
GBP/USD (1 GBP / USD)	1.3455	1.3542	0.6
USD/JPY (JPY / 1 USD)	156.75	156.38	0.2
USD/INR (INR / 1 USD)	90.20	90.29	(0.1)
USD/CNY (CNY / 1 USD)	6.9880	6.9886	0
DXY Index	98.42	98.27	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: China's markets also closed on 2 Jan



- Global 10Y yields ended mixed. Japan's 10Y yield rose the most to its 30-year high, as investors assess the possibility of BoJ hiking its policy rate beyond 1.5% (consensus estimate currently), amidst pressure from imported inflation. The US yield fell, tracking weak macro data. India's 10Y yield inched up by 3bps following subdued demand. It is trading further higher at 6.64% today.

Table 3 – Bond 10Y yield

	02-1-2026	05-01-2026	Change, bps
US	4.19	4.16	(3)
UK	4.54	4.51	(3)
Germany	2.90	2.87	(3)
Japan	2.07	2.13	6
China	1.86	1.86	0
India	6.61	6.63	3

Source: Bloomberg, Bank of Baroda Research| Note: China's markets also closed on 2 Jan

Table 4 – Short term rates

	02-1-2026	05-01-2026	Change, bps
Tbill-91 days	5.19	5.21	2
Tbill-182 days	5.34	5.41	7
Tbill-364 days	5.51	5.52	1
G-Sec 2Y	5.77	5.80	3
India OIS-2M	5.32	5.33	1
India OIS-9M	5.43	5.44	1
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.87	3.75	(12)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	02-1-2026	05-01-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.6	0.6	0

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	01-1-2026	02-1-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	(347.0)	253.4	600.4
Debt	(9.2)	181.6	190.8
Equity	(337.8)	71.8	409.6
Mutual funds (Rs cr)	3,165.3	2,253.1	(912.2)
Debt	(1,992.2)	1,233.4	3,225.6
Equity	5,157.6	1,019.8	(4,137.8)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 31 Dec 2025 and 1 Jan 2026

- Oil prices rose tracking geopolitical risks amidst unrest in Venezuela.

Table 7 – Commodities

	02-1-2025	05-1-2026	Change, %
Brent crude (US\$/bbl)	60.8	61.8	1.7
Gold (US\$/ Troy Ounce)	4,332.3	4,449.2	2.7
Copper (US\$/ MT)	12,508.1	13,033.5	4.2
Zinc (US\$/MT)	3,090.8	3,158.7	2.2
Aluminium (US\$/MT)	3,015.5	3,085.5	2.3

Source: Bloomberg, Bank of Baroda Research



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