

MORNING MOCHA

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 ECONOMIST
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As per the statement issued by India and US on the framework for the new interim trade deal, tariffs on Indian products will be reduced down to 18% from the existing 50%. The deal is expected to boost exports, MSMEs and help in creating more job opportunities. On the macro front, University of Michigan's consumer sentiment index rose to 6-month high of 57.3 in Feb'26, from 56.4 in Jan'26. This was led by rise in current situation index (58.3 versus 55.4), even as expectations index declined. 1-year ahead inflation expectation also came down to 3.5% from 4%. In India, RBI kept its rates on hold. Both GDP and inflation projections for H1FY27 were revised upwards. This is expected to be the end of easing cycle. Separately, in Japan, PM Takaichi won a landslide victory in the snap election, boosting markets.

- Except Hang Seng and Shanghai Comp, other global indices closed higher. US indices rose the most. Dow Jones crossed the 50K mark for the first time, supported by improving valuation of tech companies, and better than expected earnings results. Sensex too rose, driven by gains in FMCG and realty stocks. It is trading further higher today in line with other Asian indices.

Table 1 – Stock markets

	05-02-2026	06-02-2026	Change, %
Dow Jones	48,909	50,116	2.5
S & P 500	6,798	6,932	2.0
FTSE	10,309	10,370	0.6
Nikkei	53,818	54,254	0.8
Hang Seng	26,885	26,560	(1.2)
Shanghai Comp	4,076	4,066	(0.3)
Sensex	83,314	83,580	0.3
Nifty	25,643	25,694	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by 0.2%, even as consumer sentiment in the US appears to be holding ground. GBP and EUR rose the most. Improvement in macro data in the UK (house prices) helped. INR fell by 0.3%, amidst rising oil prices. It is trading higher today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	05-02-2026	06-02-2026	Change, %
EUR/USD (1 EUR / USD)	1.1777	1.1815	0.3
GBP/USD (1 GBP / USD)	1.3531	1.3611	0.6
USD/JPY (JPY / 1 USD)	157.04	157.22	(0.1)
USD/INR (INR / 1 USD)	90.35	90.66	(0.3)
USD/CNY (CNY / 1 USD)	6.9384	6.9358	0
DXY Index	97.82	97.63	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. US treasury yield noted an increase of 3bps as consumer sentiment improved in Feb'26. Investors also await release of official labour data next week. UK yields reacted to rising domestic political tensions. India's treasury 10Y yield rose by 9bps, as markets reacted to RBI's policy statement. It is trading further higher at 6.75% today.

Table 3 – Bond 10Y yield

	05-02-2026	06-02-2026	Change, bps
US	4.18	4.21	3
UK	4.56	4.51	(4)
Germany	2.84	2.84	0
Japan	2.24	2.23	(1)
China	1.81	1.81	0
India	6.65	6.74	9

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	05-02-2026	06-02-2026	Change, bps
Tbill-91 days	5.31	5.31	0
Tbill-182 days	5.54	5.54	0
Tbill-364 days	5.59	5.64	5
G-Sec 2Y	5.72	5.77	5
India OIS-2M	5.32	5.32	0
India OIS-9M	5.44	5.45	1
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.65	3.65	0

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	05-02-2026	06-02-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	2.1	3.6	1.5

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	04-02-2026	05-02-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	353.8	(71.6)	(425.4)
Debt	233.1	73.6	(159.5)
Equity	120.7	(145.2)	(265.9)
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, as talks between US and Iran were unable to diffuse the risk of escalating tensions between the two countries.

Table 7 – Commodities

	05-02-2026	06-02-2026	Change, %
Brent crude (US\$/bbl)	67.6	68.1	0.7
Gold (US\$/ Troy Ounce)	4,779.1	4,964.4	3.9
Copper (US\$/ MT)	12,825.4	12,923.1	0.8
Zinc (US\$/MT)	3,281.3	3,323.9	1.3
Aluminium (US\$/MT)	3,027.0	3,085.0	1.9

Source: Bloomberg, Bank of Baroda Research



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