

MORNING MOCHA

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ECONOMIST
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US labour market data surprised on the upside, as JOLT survey results showed that 221k jobs were added in May'24 to reach 8.14 (est.: 7.91mn), up from 7.91mn in Ap'24. However, as the ratio of job openings to unemployed persons remains unchanged from the previous month at 1.22 (lowest since 2021), investors are continuing to expect Fed rate cut in Sep'24 (61.5% as per CME FedWatchTool). Fed Chair's remarks that Central Bank is most likely to cut rates later this year has further raised hopes. Separately, ECB is expected hold rates steady, even as headline inflation in Jun'24 eased to 2.5% from 2.6% in May'24. Stickiness in core inflation (4.1% in Jun'24, unchanged from last month) remains a cause of concern. ECB President also stated the Central Bank will look out for indications that inflation is firmly back in control before cutting more rates.

- Barring FTSE and Nifty, other global indices ended higher. US stocks closed in green ahead of non-farm payrolls data. Nikkei surged by 1.1% crossing the crucial 40,000 mark led by strong gains in banking and insurance stocks. Sensex ended flat and is trading much higher today, as it breached the 80,000 mark today. On the other hand, other Asian stocks are trading mixed.

Fig 1 – Stock markets

	1-07-2024	2-07-2024	Change, %
Dow Jones	39,170	39,332	0.4
S & P 500	5,475	5,509	0.6
FTSE	8,167	8,121	(0.6)
Nikkei	39,631	40,075	1.1
Hang Seng	17,716	17,769	0.3
Shanghai Comp	2,995	2,997	0.1
Sensex	79,476	79,441	0
Nifty	24,142	24,124	(0.1)

Source: Bloomberg, Bank of Baroda Research Note: Hang Seng was closed on 1.7.2024

- Global currencies ended mixed. DXY edged down as investors monitored dovish comments by Fed Chair, signalling that easing cycle might begin later year. GBP weakened ahead of the election. INR depreciated further by 0.1% despite fall in oil prices. It is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	1-07-2024	2-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0740	1.0745	0
GBP/USD (1 GBP / USD)	1.2650	1.2685	0.3
USD/JPY (JPY / 1 USD)	161.46	161.44	0
USD/INR (INR / 1 USD)	83.45	83.50	(0.1)
USD/CNY (CNY / 1 USD)	7.2684	7.2712	0

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. Yields in US and UK fell (3bps each), while yield inched up in Japan. Investors reacted to Powell's dovish remarks indicating a rate cut later this year. Separately, BRC noted that UK's May'24 'shop price inflation' fell to its lowest level since Oct'21. India's 10Y yield was stable, led by foreign inflows through JP Morgan index. It is trading lower at 7% today.

Fig 3 – Bond 10Y yield

	1-07-2024	2-07-2024	Change, bps
US	4.46	4.43	(3)
UK	4.28	4.25	(3)
Germany	2.61	2.60	0
Japan	1.06	1.09	3
China	2.25	2.24	(1)
India	7.01	7.01	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	1-07-2024	2-07-2024	change in bps
Tbill-91 days	6.79	6.72	(7)
Tbill-182 days	6.90	6.89	(1)
Tbill-364 days	6.93	6.93	0
G-Sec 2Y	6.97	6.96	(1)
India OIS-2M	6.69	6.68	(1)
India OIS-9M	6.79	6.79	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.33	5.40	7

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-07-2024	2-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.6)	(0.9)	(0.3)
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-06-2024	1-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	450.6	80.2	(370.4)
Debt	264.5	139.4	(125.1)
Equity	186.1	(59.2)	(245.4)
Mutual funds (Rs cr)	3,962.7	(5,068.1)	(9,030.7)
Debt	(995.2)	950.3	1,945.5
Equity	4,957.9	(6,018.3)	(10,976.2)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 26 June and 27 June 2024

- Oil prices dropped amidst increase in output from OPEC for 2nd straight month.

Fig 7 – Commodities

	1-07-2024	2-07-2024	% change
Brent crude (US\$/bbl)	86.6	86.2	(0.4)
Gold (US\$/ Troy Ounce)	2,331.9	2,329.5	(0.1)
Copper (US\$/ MT)	9,482.8	9,527.2	0.5
Zinc (US\$/MT)	2,869.3	2,863.9	(0.2)
Aluminium (US\$/MT)	2,515.5	2,522.5	0.3

Source: Bloomberg, Bank of Baroda Research



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