

MORNING MOCHA

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 ECONOMIST
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The highly anticipated US non-farm payrolls rose at a much slower pace than expected, adding only 57,000 jobs in Jun'26 (against 129,000 in May'26) against est of 110,000. The labour market lost momentum despite analysts' expecting a hiring boost due to the ongoing FIFA World Cup. The job additions were noted in education and healthcare which has largely accounted for the bulk of new hiring since Dec'22. On the other hand, unemployment rate slipped to 4.2% (12-month low) against 4.3% reading in May'26. The softer than expected jobs growth might dial down expectations of a near term rate hike by Fed. Separately, Japan's services activity edged up to 52.2 in Jun (50 in May'26) supported by increase in new businesses. On the domestic front, India's manufacturing PMI expanded at slower pace 54.2 in Jun'26 from 55 in May'26. This was led by slower demand for new orders, with weakness noted in export orders. Input cost inflation also eased to 4-month low.

- Global indices ended mixed. US stocks closed mixed as investors monitored jobs report. FTSE surged as investors tracked dovish comments by Central Bankers, boosting investor confidence. Sensex rose with gains in real estate and IT related stocks. It is trading higher today in line with Asian indices.

Table 1 – Stock markets

	01-07-2026	02-07-2026	Change, %
Dow Jones	52,305	52,900	1.1
S & P 500	7,483	7,483	0
FTSE	10,478	10,653	1.7
Nikkei	70,475	68,733	(2.5)
Hang Seng	22,881	23,055	0.8
Shanghai Comp	4,112	4,029	(2.0)
Sensex	76,923	77,502	0.8
Nifty	24,006	24,176	0.7

Source: Bloomberg, Bank of Baroda Research

- Except INR (lower), other currencies rose against the US\$. DXY fell as weaker than expected macro data has reduced chances of Fed rate hike in CY26. JPY rose the most, noting statement on imported inflation by BoJ member. INR fell by 0.2%. However, it is trading stronger today, in line with Asian currencies.

Table 2 – Currencies

	01-07-2026	02-07-2026	Change, %
EUR/USD (1 EUR / USD)	1.1377	1.1432	0.5
GBP/USD (1 GBP / USD)	1.3275	1.3346	0.5
USD/JPY (JPY / 1 USD)	162.58	161.11	0.9
USD/INR (INR / 1 USD)	95.25	95.40	(0.2)
USD/CNY (CNY / 1 USD)	6.7909	6.7849	0.1
DXY Index	101.39	100.86	(0.5)

Source: Bloomberg, Bank of Baroda Research



- Barring US and India, other global 10Y yields inched further up. US 10Y yield ended flat as analysts expect fewer chances of Fed hiking rates this year, tracking slowdown in labour market and weak industrial data. Japan's bond yield rose notably as investors bet on Oct'26 rate hike by BoJ. India's 10Y yield fell by 4bps to 6.72%, due to softer oil prices, and is trading at unchanged levels today.

Table 3 – Bond 10Y yield

	01-07-2026	02-07-2026	Change, bps
US	4.48	4.48	0
UK	4.76	4.78	2
Germany	2.88	2.90	3
Japan	2.71	2.79	7
China	1.74	1.75	1
India	6.76	6.72	(4)

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	01-07-2026	02-07-2026	Change, bps
Tbill-91 days	5.24	5.24	0
Tbill-182 days	5.45	5.44	(1)
Tbill-364 days	5.61	5.64	3
G-Sec 2Y	5.97	5.93	(4)
India OIS-2M	5.35	5.36	1
India OIS-9M	5.63	5.63	0
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.68	3.66	(2)

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	01-07-2026	02-07-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	0.9	1.0	0.1

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	30-06-2026	01-07-2026	change (US\$ mn/Rs cr)
FII (US\$ mn)	97.3	282.0	184.7
Debt	285.5	267.2	(18.4)
Equity	(188.3)	14.8	203.1
Mutual funds (Rs cr)	(187.6)	(4,573.2)	(4,385.6)
Debt	(1,941.3)	(4,002.8)	(2,061.5)
Equity	1,753.7	(570.4)	(2,324.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 29 and 30 Jun 2026

- Oil prices rose a tad, following news of stalled talks between US and Iran.

Table 7 – Commodities

	01-07-2026	02-07-2026	Change, %
Brent crude (US\$/bbl)	71.6	71.8	0.3
Gold (US\$/ Troy Ounce)	4,030.7	4,122.4	2.3
Copper (US\$/ MT)	13,249.2	13,287.6	0.3
Zinc (US\$/MT)	3,513.6	3,500.7	(0.4)
Aluminium (US\$/MT)	3,076.0	3,091.5	0.5

Source: Bloomberg, Bank of Baroda Research



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