

MORNING MOCHA

04 July 2024

ECONOMIST
Jahnvi Prabhakar

A slew of data from the US signalled softening of economy and stoked hopes of Fed rate cut. This included signs of weakness in labour market, as was reflected by both ADP employment report (150,000 versus 157,000 in May'24) and the weekly jobless claims (rose more than expected-to 238,000). This comes ahead of the non-farm payrolls report. Additionally, the non-manufacturing PMI data from ISM surprised negatively, dropping down to 48.8 in Jun'24 from 53.8 in May'24, with weak employment levels. Furthermore, US factory orders contracted for the first time, after rising for 3-straight months (-0.5% in May'24 from 0.4% in Apr'24). Separately, Fed minutes noted that even as inflation is moving towards its target goal, the committee needs to see more information which will 'give them greater confidence' before they lower the rates.

- Barring Dow Jones and Shanghai Comp, other global indices ended higher. US stocks closed in green amidst renewed hopes of rate cut, given softer labour data. Amongst other indices, Nikkei and Hang Seng surged the most. Sensex climbed higher by 0.7% led by strong gains in banking and metal stocks. It is trading further higher today in line with other Asian stocks.

Fig 1 – Stock markets

	2-07-2024	3-07-2024	Change, %
Dow Jones	39,332	39,308	(0.1)
S & P 500	5,509	5,537	0.5
FTSE	8,121	8,171	0.6
Nikkei	40,075	40,581	1.3
Hang Seng	17,716	17,979	1.5
Shanghai Comp	2,997	2,982	(0.5)
Sensex	79,441	79,987	0.7
Nifty	24,124	24,287	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY ended lower as a slew of macro data from the US reinforced views of a rate cut in Sep'24. Both EUR and GBP appreciated by 0.4% against the dollar. On the other hand, JPY depreciated further to hit a fresh 38-year low. INR depreciated marginally, tracking a rise in oil prices. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	2-07-2024	3-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0745	1.0786	0.4
GBP/USD (1 GBP / USD)	1.2685	1.2742	0.4
USD/JPY (JPY / 1 USD)	161.44	161.69	(0.2)
USD/INR (INR / 1 USD)	83.50	83.53	0
USD/CNY (CNY / 1 USD)	7.2712	7.2702	0

Source: Bloomberg, Bank of Baroda



- Except Japan and China, other major yields closed lower. 10Y yields of UK and US fell the most. Sharp decline in US ISM services index and softer ADP employment report, has further firmed the hopes of a Fed rate cut in Sep'24. India's 10Y yield eased a tad, even as oil prices inched up. Following global cues, it is trading further lower at 6.99% today.

Fig 3 – Bond 10Y yield

	2-07-2024	3-07-2024	Change, bps
US	4.43	4.36	(7)
UK	4.25	4.17	(8)
Germany	2.60	2.59	(2)
Japan	1.09	1.10	1
China	2.24	2.24	0
India	7.01	7.00	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	2-07-2024	3-07-2024	change in bps
Tbill-91 days	6.72	6.76	4
Tbill-182 days	6.89	6.89	0
Tbill-364 days	6.93	6.94	1
G-Sec 2Y	6.96	6.95	(1)
India OIS-2M	6.68	6.68	0
India OIS-9M	6.79	6.78	(1)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.40	5.35	(5)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	2-07-2024	3-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.9)	(1.3)	(0.4)
Reverse Repo	0	0	0
Repo	0	0.4	0.4

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	1-07-2024	2-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	80.2	(264.0)	(344.2)
Debt	139.4	36.2	(103.2)
Equity	(59.2)	(300.2)	(241.0)
Mutual funds (Rs cr)	(5,068.1)	5,291.0	10,359.1
Debt	950.3	2,042.1	1,091.9
Equity	(6,018.3)	3,248.9	9,267.2

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 27 June and 1 Jul 2024

- Oil prices rose, amidst dip in US crude stockpiles, and hopes of Fed rate cut.

Fig 7 – Commodities

	2-07-2024	3-07-2024	% change
Brent crude (US\$/bbl)	86.2	87.3	1.3
Gold (US\$/ Troy Ounce)	2,329.5	2,356.2	1.1
Copper (US\$/ MT)	9,527.2	9,720.2	2.0
Zinc (US\$/MT)	2,863.9	2,930.6	2.3
Aluminium (US\$/MT)	2,522.5	2,548.0	1.0

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com