

MORNING MOCHA

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ECONOMIST

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In a positive surprise, US jobs report defied expectations and added 147,000 jobs in Jun'25 and unemployment rate dropped to 4.1%. Greater number of hiring was noted in the government sector with over 73000 positions, followed by healthcare sector which added 39,000 jobs. A strong jobs reports has undercut the expectations of a rate cut in the upcoming policy meet. Separately, the US house of representatives passed the tax and spending bill backed by President Trump. In India, services PMI rose to a 10-month high to 60.4 in Jun'25 (58.8 in May'25) supported by strong growth in new business orders. RBI has announced another VRRR of Rs 1 lakh crore as system liquidity is above the 1% NDTL surplus level. More such announcements may be forthcoming.

- Stocks in the US was supported by better-than-expected payroll numbers. FTSE got support from tracking Chancellor of the Exchequer's comments on adherence to fiscal discipline in the UK. Hang Seng showed strains of uncertainty on tariff front. Sensex moderated led by metal and real estate stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	02-07-2025	03-07-2025	Change, %
Dow Jones	44,484	44,829	0.8
S & P 500	6,227	6,279	0.8
FTSE	8,775	8,823	0.6
Nikkei	39,762	39,786	0.1
Hang Seng	24,221	24,070	(0.6)
Shanghai Comp	3,455	3,461	0.2
Sensex	83,410	83,239	(0.2)
Nifty	25,453	25,405	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring EUR and JPY, other global currencies closed higher. DXY strengthened supported by better than expected jobs data. JPY remained under pressure amidst growing developments around US-Japan trade deal. INR appreciated as oil prices slipped. It is trading weaker today; Asian currencies are trading mixed.

Fig 2 – Currencies

	02-07-2025	03-07-2025	Change, %
EUR/USD (1 EUR / USD)	1.1799	1.1757	(0.4)
GBP/USD (1 GBP / USD)	1.3636	1.3655	0.1
USD/JPY (JPY / 1 USD)	143.66	144.93	(0.9)
USD/INR (INR / 1 USD)	85.71	85.32	0.5
USD/CNY (CNY / 1 USD)	7.1631	7.1706	(0.1)
DXY Index	96.78	97.18	0.4

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield firmed up as most of the macro reading remained upbeat delaying hopes of monetary easing by Fed. UK's 10Y yield underwent correction after reaffirmation by officials on sticking to fiscal discipline. Japan's 10Y yield inched up as a Board member hinted at temporary pause in policy rate. India's 10Y yield closed stable. The benchmark security is trading at 6.29% today.

Fig 3 – Bond 10Y yield

	02-07-2025	03-07-2025	Change, bps
US	4.28	4.35	7
UK	4.61	4.54	(7)
Germany	2.66	2.62	(5)
Japan	1.43	1.44	1
China	1.64	1.64	0
India	6.29	6.29	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	02-07-2025	03-07-2025	Change, bps
Tbill-91 days	5.35	5.33	(2)
Tbill-182 days	5.50	5.45	(5)
Tbill-364 days	5.53	5.53	0
G-Sec 2Y	5.71	5.72	1
India OIS-2M	5.43	5.43	0
India OIS-9M	5.50	5.49	(1)
SONIA int rate benchmark	4.22	4.22	0
US SOFR	4.44	4.40	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	02-07-2025	03-07-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	3.7	4.0	0.3
Reverse Repo	0.8	0.8	0
Repo*	0	0	0

Source: RBI, Bank of Baroda Research, *Includes LTRO

Fig 6 – Capital market flows

	01-07-2025	02-07-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	398.3	(83.6)	(481.9)
Debt	269.2	3.6	(265.5)
Equity	129.1	(87.2)	(216.3)
Mutual funds (Rs cr)	(389.2)	87.9	477.0
Debt	(165.3)	(2,164.8)	(1,999.6)
Equity	(223.9)	2,252.7	2,476.6

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 27 Jun and 30 Jun 2025

- Crude softened ahead of OPEC+ meeting where production hike is expected.

Fig 7 – Commodities

	02-07-2025	03-07-2025	Change, %
Brent crude (US\$/bbl)	69.1	68.8	(0.4)
Gold (US\$/ Troy Ounce)	3357.5	3326.1	(0.9)
Copper (US\$/ MT)	10109.2	10042.1	(0.7)
Zinc (US\$/MT)	2735.5	2728.5	(0.3)
Aluminium (US\$/MT)	2620.0	2605.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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