

## MORNING MOCHA

06 June 2024

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Private payroll data (ADP employment) in the US shows that employers added 152k jobs in May'24—slowest in 4 months and lower than est.: 175k and 188k in Apr'24. Large firms (500 or more employees) added ~98k jobs, while smaller firms (less than 50 workers) reported 10k job cuts (1<sup>st</sup> since Nov'23). Manufacturing sectors reported 20k job cuts (highest since Jul'22). Softer than expected labour market trends have fired up Fed rate cut bets. In contrast, US ISM service activity index showed improvement as the index rose to 53.8 in May'24 from 49.4 in Apr'24, led by rise in new export orders and business activity. In Europe, services sector activity seems to be holding ground with PMI for May'24 at 53.2 versus 53.3 in Apr'24. In Germany while activity improved to 12-month high, in France it is at 4-month low. ECB's rate decision is awaited today. In India, services PMI moderated to 60.2 from 60.8.

- Global indices ended mixed. US indices ended in green with S&P 500 hitting a record high led by gains in technology stocks. Investors monitored May's private payroll data and the growing plausibility of 2 rate cuts by Fed this year. Sensex rebounded and settled 3% higher with auto, IT and FMCG amongst the top gainers. It is trading higher today, in line with other Asian indices.

**Fig 1 – Stock markets**

	4-06-2024	5-06-2024	Change, %
Dow Jones	38,711	38,807	0.2
S & P 500	5,291	5,354	1.2
FTSE	8,232	8,247	0.2
Nikkei	38,837	38,490	(0.9)
Hang Seng	18,444	18,425	(0.1)
Shanghai Comp	3,091	3,065	(0.8)
Sensex	72,079	74,382	3.2
Nifty	21,885	22,620	3.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY strengthened by 0.2% supported by stronger than expected services PMI data (53.8 in May from 49.4). Investors will turn their focus towards ECB policy decision, with 25bps rate cut possibility. INR recovered, but it is trading weaker today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	4-06-2024	5-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0879	1.0869	(0.1)
GBP/USD (1 GBP / USD)	1.2770	1.2787	0.1
USD/JPY (JPY / 1 USD)	154.88	156.11	(0.8)
USD/INR (INR / 1 USD)	83.53	83.38	0.2
USD/CNY (CNY / 1 USD)	7.2403	7.2477	(0.1)

Source: Bloomberg, Bank of Baroda



- Except China (flat) and UK (higher), other global yields continued to decline. US 10Y yield fell by another 5bps, tracking softer labour market data. In UK, continued expansion in the services sector, albeit at a slower pace, kept investors on edge regarding the timing of BoE's 1<sup>st</sup> rate cut. India's 10Y yield fell by 1bps, and is trading even lower today at 7.02%.

**Fig 3 – Bond 10Y yield**

	4-06-2024	5-06-2024	Change, bps
US	4.33	4.28	(5)
UK	4.18	4.18	1
Germany	2.53	2.51	(2)
Japan	1.03	1.02	(1)
China	2.31	2.31	0
India	7.04	7.03	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	4-06-2024	5-06-2024	change in bps
Tbill-91 days	6.84	6.85	1
Tbill-182 days	7.02	7.01	(1)
Tbill-364 days	7.04	7.02	(2)
G-Sec 2Y	7.04	7.05	0
India OIS-2M	6.72	6.71	(1)
India OIS-9M	6.82	6.79	(2)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.35	5.33	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	4-06-2024	5-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	0.3	(0.8)
Reverse Repo	0	0	0
Repo	0.5	0.9	0.4

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	3-06-2024	4-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,096.9	(1,363.0)	(2,460.0)
Debt	272.6	103.3	(169.4)
Equity	824.3	(1,466.3)	(2,290.6)
Mutual funds (Rs cr)	(2,964.0)	(2,543.4)	420.6
Debt	(2,705.7)	(5,301.9)	(2,596.2)
Equity	(258.3)	2,758.6	3,016.9

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 30 May and 31 May 2024

- Oil prices rose, supported by optimism surrounding Fed rate cuts this year.

**Fig 7 – Commodities**

	4-06-2024	5-06-2024	% change
Brent crude (US\$/bbl)	77.5	78.4	1.1
Gold (US\$/ Troy Ounce)	2,327.0	2,355.3	1.2
Copper (US\$/ MT)	9,820.1	9,806.3	(0.1)
Zinc (US\$/MT)	2,876.4	2,802.9	(2.6)
Aluminium (US\$/MT)	2,663.5	2,622.0	(1.6)

Source: Bloomberg, Bank of Baroda Research



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