

MORNING MOCHA

08 July 2024

ECONOMIST
Aditi Gupta

US jobs report indicated a softening momentum in the labour market, bolstering the case for a rate cut in Sep'24. While non-farm payrolls increased more than expected by 206,000 in Jun'24 (est. 190,000), data for both Apr'24 and May'24 was revised sharply lower. Unemployment rate edged up to its highest since Oct'21 to 4.1% in Jun'24 from 4%. Growth in average hourly earnings slowed to 0.3% from 0.4% in May'24. Elsewhere in Japan, real wages declined for the 26th straight month by 1.4% in May'24. In Europe, focus remained on political developments. In UK, the new Prime Minister faces multiple challenges amid faltering growth in the country. In France, results of the second-round elections solidified expectations of a hung parliament. This week, focus remains on inflation reports from China, Germany, US and India, along with central bank meetings in New Zealand and South Korea.

- Global indices ended mixed. Stocks in US were supported by softening labour market conditions raising hopes of a rate cut in Sep'24 (CME Fed watch probability at 72% vs 57.9% last week). Stocks in UK were lower, as investors kept a close eye on election results where Labour Party won a resounding majority. Asian stocks traded cautiously with Hang Seng losing the most. Sensex was a tad down. It is trading lower today in line with its Asian peers.

Fig 1 – Stock markets

	04-07-2024	05-07-2024	Change, %
Dow Jones	39,308	39,376	0.2
S & P 500	5,537	5,567	0.5
FTSE	8,241	8,204	(0.5)
Nikkei	40,914	40,912	0
Hang Seng	18,028	17,800	(1.3)
Shanghai Comp	2,958	2,950	(0.3)
Sensex	80,050	79,997	(0.1)
Nifty	24,302	24,324	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended higher against the dollar. DXY declined as recent data has led to expectations of a Sep'24 rate cut. GBP appreciated the most after a landslide victory for the Labour party in UK elections. INR closed broadly unchanged. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	04-07-2024	05-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0812	1.0840	0.3
GBP/USD (1 GBP / USD)	1.2760	1.2815	0.4
USD/JPY (JPY / 1 USD)	161.28	160.75	0.3
USD/INR (INR / 1 USD)	83.50	83.49	0
USD/CNY (CNY / 1 USD)	7.2682	7.2683	0

Source: Bloomberg, Bank of Baroda



- Except China (higher), global yields closed lower. US 10Y yield fell the most supported by steep downward revisions in payroll numbers. Yields in Germany and UK also felt the impact of the same. Risk off sentiment surrounding evolving political landscape also led to increased demand for sovereign securities. India's 10Y yield fell a tad, eyeing auction results. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	04-07-2024	05-07-2024	Change, bps
US	4.36	4.28	(8)
UK	4.20	4.13	(7)
Germany	2.61	2.56	(5)
Japan	1.08	1.08	0
China	2.25	2.27	2
India	7.00	6.99	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-07-2024	05-07-2024	change in bps
Tbill-91 days	6.74	6.71	(3)
Tbill-182 days	6.84	6.89	5
Tbill-364 days	6.93	6.92	(1)
G-Sec 2Y	6.95	6.95	(1)
India OIS-2M	6.67	6.68	1
India OIS-9M	6.76	6.76	0
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	04-07-2024	05-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.3)	0
Reverse Repo	0	0	0
Repo	0.7	0	(0.7)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-07-2024	04-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	550.4	891.5	341.1
Debt	83.7	231.4	147.7
Equity	466.7	660.1	193.4
Mutual funds (Rs cr)	3,498.7	3,815.4	316.7
Debt	2,211.5	4,526.4	2,314.8
Equity	1,287.2	(711.0)	(1,998.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 2 Jul and 3 Jul 2024

- Oil prices eased amidst reports of a ceasefire between Israel and Hamas.

Fig 7 – Commodities

	04-07-2024	05-07-2024	% change
Brent crude (US\$/bbl)	87.4	86.5	(1.0)
Gold (US\$/ Troy Ounce)	2,356.7	2,392.2	1.5
Copper (US\$/ MT)	9,734.1	9,795.2	0.6
Zinc (US\$/MT)	2,928.9	2,943.9	0.5
Aluminium (US\$/MT)	2,522.5	2,535.5	0.5

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