

MORNING MOCHA

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ECONOMIST
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JOLTS data released by the US labour department, shows that job openings in Apr'24 fell by 296k to 8.06mn (est.: 8.36mn)—lowest level since Feb'21. This implies fewer jobs available per unemployed person. As labour market begins the process of normalisation, chances of a Fed rate cut in Sep'24 have increased to ~55% (per CME FedWatchTool). Some are even anticipating a second cut in Dec'24. New orders for manufactured goods in Apr'24 rose for the 3rd consecutive month (0.7%, unchanged from Mar'24; est.: 0.6%). However, core order (non-defence cap goods excl aircraft) growth eased, to 0.2% from 0.3% estimated earlier. In India, election results show that BJP-led NDA government is set for its 3rd term, thus signalling policy continuity at the centre. Third advanced estimates show, food grain production is pegged to be lower at 3288.5 lakh ton versus 3296.9 lakh ton last year.

- Global indices ended mixed. Stocks in US rose as bets of a Fed rate cut in Sep'24 solidified after data showed a weakening momentum in US labour market. Sensex fell sharply by 5.7%, registering its sharpest decline since Apr'20, after the election results. With this, Sensex has erased all of its gains for 2024. However, it is trading higher today, in line with other Asian indices.

Fig 1 – Stock markets

	3-06-2024	4-06-2024	Change, %
Dow Jones	38,571	38,711	0.4
S & P 500	5,283	5,291	0.2
FTSE	8,263	8,232	(0.4)
Nikkei	38,923	38,837	(0.2)
Hang Seng	18,403	18,444	0.2
Shanghai Comp	3,078	3,091	0.4
Sensex	76,469	72,079	(5.7)
Nifty	23,264	21,885	(5.9)

Source: Bloomberg, Bank of Baroda Research

- Except JPY and CNY, other global currencies depreciated. DXY was marginally weaker tracking a drop in US job openings (JOLTS). EUR depreciated by 0.2% ahead of ECB policy. JPY rose as BoJ officials cautioned against excessive volatility in the currency. INR closed just shy of a record low, tracking election results. However, it is trading stronger today, in line with its Asian peers.

Fig 2 – Currencies

	3-06-2024	4-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0904	1.0879	(0.2)
GBP/USD (1 GBP / USD)	1.2808	1.2770	(0.3)
USD/JPY (JPY / 1 USD)	156.08	154.88	0.8
USD/INR (INR / 1 USD)	83.15	83.53	(0.5)
USD/CNY (CNY / 1 USD)	7.2420	7.2403	0

Source: Bloomberg, Bank of Baroda



- Except China (flat) and India (higher), other global yields continued to decline. US 10Y yield fell the most (-6bps), followed by Germany. Weaker than expected jobs opening data has pushed probability of a Fed rate cut in Sep'24 even higher. India's 10Y yield rose by 9bps to 7.04%, tracking the results of general elections. It is trading at similar levels today.

Fig 3 – Bond 10Y yield

	3-06-2024	4-06-2024	Change, bps
US	4.39	4.33	(6)
UK	4.22	4.18	(4)
Germany	2.58	2.53	(5)
Japan	1.07	1.03	(4)
China	2.31	2.31	0
India	6.94	7.04	9

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	3-06-2024	4-06-2024	change in bps
Tbill-91 days	6.88	6.84	(4)
Tbill-182 days	6.99	7.02	3
Tbill-364 days	7.00	7.04	4
G-Sec 2Y	7.01	7.04	3
India OIS-2M	6.71	6.72	1
India OIS-9M	6.80	6.82	2
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.34	5.35	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	3-06-2024	4-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	(0.5)	(0.8)
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-05-2024	3-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	182.0	1,096.9	914.9
Debt	(79.4)	272.6	352.0
Equity	261.4	824.3	562.9
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 fell further, following the news of higher than expected US stockpiles.

Fig 7 – Commodities

	3-06-2024	4-06-2024	% change
Brent crude (US\$/bbl)	78.4	77.5	(1.1)
Gold (US\$/ Troy Ounce)	2,350.8	2,327.0	(1.0)
Copper (US\$/ MT)	10,017.0	9,820.1	(2.0)
Zinc (US\$/MT)	2,887.2	2,876.4	(0.4)
Aluminium (US\$/MT)	2,661.5	2,663.5	0.1

Source: Bloomberg, Bank of Baroda Research



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