

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Non-farm payrolls in the US rose by 175k in Apr'24, much lower than estimated 240k and also lower than 315k in Mar'24. Unemployment rate also rose, to 3.9% in Apr'24 from 3.8% in Mar'24. Average hourly earnings also rose at a slower pace, by 0.2% (MoM) in Apr'24 versus 0.3% in the previous month. Separately, ISM services index fell to 49.4 from 51.4 in Mar'24, led by steep decline in new export orders, and employment. All these data points suggest that economic activity in the US is indeed slowing and has solidified hopes of a rate cut by the central bank in Sep'24 (48.8% chance as per CME FedWatch tool). Elsewhere in Asia, China's Caixin services PMI also suggests slowdown in activity with index moderating to 52.5 in Apr'24 from 52.7 in Mar'24. In Australia too, services activity has slowed with PMI easing to 53.6 from 54.2 in Mar'24. This week, markets await BoE and ECB rate decisions.

- Global stocks ended mixed. US indices closed in green after softer than expected jobs report raised bets of Fed cutting rates earlier than anticipated. Hang Sang gained the most, supported by rally in tech stocks. Sensex declined by 1%, dragged down by losses in real estate and capital good stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	2-05-2024	3-05-2024	Change, %
Dow Jones	38,226	38,676	1.2
S & P 500	5,064	5,128	1.3
FTSE	8,172	8,213	0.5
Nikkei	38,274	38,236	(0.1)
Hang Seng	18,207	18,476	1.5
Shanghai Comp	3,113	3,105	(0.3)
Sensex	74,611	73,878	(1.0)
Nifty	22,648	22,476	(0.8)

Source: Bloomberg, Bank of Baroda Research | Note: Market in Japan was closed on 3 May; Market in China has been closed since 30 Apr

- Barring INR (flat) and CNY (lower), other global currencies ended higher. DXY dropped by 0.3% after the data reported lower job addition in Apr'24 and unemployment inched up to 3.9% (3.8% earlier). Amidst reports of possible intervention by government authority, JPY strengthened by 0.4%. INR ended flat. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	2-05-2024	3-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0725	1.0761	0.3
GBP/USD (1 GBP / USD)	1.2534	1.2547	0.1
USD/JPY (JPY / 1 USD)	153.64	153.05	0.4
USD/INR (INR / 1 USD)	83.47	83.43	0
USD/CNY (CNY / 1 USD)	7.2290	7.2411	(0.2)

Source: Bloomberg, Bank of Baroda | Note: Market in China has been closed since 30 Apr



- Global yields closed sharply lower, led by 7bps decline in US 10Y yield. Less hawkish comments from Fed in their policy and weaker than anticipated employment data, impacted investor sentiments. Weak growth outlook for Europe also played a role. India's 10Y yield fell by 1bps. Today, following global cues, it is trading even lower at 7.13%.

Fig 3 – Bond 10Y yield

	2-05-2024	3-05-2024	Change, bps
US	4.58	4.51	(7)
UK	4.29	4.22	(6)
Germany	2.54	2.50	(5)
Japan	0.90	0.90	0
China	2.36	2.31	(4)
India	7.16	7.15	(1)

Source: Bloomberg, Bank of Baroda Research| Note: Market in Japan was closed on 3 May; Market in China has been closed since 30 Apr

Fig 4 – Short term rates

	2-05-2024	3-05-2024	change in bps
Tbill-91 days	6.99	6.98	(1)
Tbill-182 days	7.03	7.01	(2)
Tbill-364 days	7.07	7.06	(1)
G-Sec 2Y	7.12	7.12	0
India OIS-2M	6.74	6.73	(1)
India OIS-9M	6.83	6.83	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.32	5.31	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	2-05-2024	3-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.8	0.8	0
Reverse Repo	0	0	0
Repo	1.7	0	(1.7)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-04-2024	30-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(47.7)	189.5	237.2
Debt	(48.4)	(32.1)	16.2
Equity	0.7	221.6	221.0
Mutual funds (Rs cr)	(1,435.8)	(26.3)	1,409.5
Debt	(2,818.0)	(1,854.5)	963.5
Equity	1,382.3	1,828.3	446.0

Source: Bloomberg, Bank of Baroda Research

- Oil prices fell by 0.8%, driven by fears of weak global demand.

Fig 7 – Commodities

	2-05-2024	3-05-2024	% change
Brent crude (US\$/bbl)	83.7	83.0	(0.8)
Gold (US\$/ Troy Ounce)	2,303.8	2,301.7	(0.1)
Copper (US\$/ MT)	9,642.5	9,790.1	1.5
Zinc (US\$/MT)	2,860.3	2,872.6	0.4
Aluminium (US\$/MT)	2,528.0	2,551.5	0.9

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com