

## MORNING MOCHA

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ECONOMIST  
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A slew of data from the US signalled softening of economy and stoked hopes of Fed rate cut. This included signs of weakness in labour market, as was reflected by both ADP employment report (150,000 versus 157,000 in May'24) and the weekly jobless claims (rose more than expected-to 238,000). This comes ahead of the non-farm payrolls report. Additionally, the non-manufacturing PMI data from ISM surprised negatively, dropping down to 48.8 in Jun'24 from 53.8 in May'24, with weak employment levels. Furthermore, US factory orders contracted for the first time, after rising for 3-straight months (-0.5% in May'24 from 0.4% in Apr'24). Separately, Fed minutes noted that even as inflation is moving towards its target goal, the committee needs to see more information which will 'give them greater confidence' before they lower the rates.

- Barring Dow Jones and Shanghai Comp, other global indices ended higher. US stocks closed in green amidst renewed hopes of rate cut, given softer labour data. Amongst other indices, Nikkei and Hang Seng surged the most. Sensex climbed higher by 0.7% led by strong gains in banking and metal stocks. It is trading further higher today in line with other Asian stocks.

**Fig 1 – Stock markets**

|               | 2-07-2024 | 3-07-2024 | Change, % |
|---------------|-----------|-----------|-----------|
| Dow Jones     | 39,332    | 39,308    | (0.1)     |
| S & P 500     | 5,509     | 5,537     | 0.5       |
| FTSE          | 8,121     | 8,171     | 0.6       |
| Nikkei        | 40,075    | 40,581    | 1.3       |
| Hang Seng     | 17,716    | 17,979    | 1.5       |
| Shanghai Comp | 2,997     | 2,982     | (0.5)     |
| Sensex        | 79,441    | 79,987    | 0.7       |
| Nifty         | 24,124    | 24,287    | 0.7       |

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY ended lower as a slew of macro data from the US reinforced views of a rate cut in Sep'24. Both EUR and GBP appreciated by 0.4% against the dollar. On the other hand, JPY depreciated further to hit a fresh 38-year low. INR depreciated marginally, tracking a rise in oil prices. It is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

|                       | 2-07-2024 | 3-07-2024 | Change, % |
|-----------------------|-----------|-----------|-----------|
| EUR/USD (1 EUR / USD) | 1.0745    | 1.0786    | 0.4       |
| GBP/USD (1 GBP / USD) | 1.2685    | 1.2742    | 0.4       |
| USD/JPY (JPY / 1 USD) | 161.44    | 161.69    | (0.2)     |
| USD/INR (INR / 1 USD) | 83.50     | 83.53     | 0         |
| USD/CNY (CNY / 1 USD) | 7.2712    | 7.2702    | 0         |

Source: Bloomberg, Bank of Baroda



- Except Japan and China, other major yields closed lower. 10Y yields of UK and US fell the most. Sharp decline in US ISM services index and softer ADP employment report, has further firmed the hopes of a Fed rate cut in Sep'24. India's 10Y yield eased a tad, even as oil prices inched up. Following global cues, it is trading further lower at 6.99% today.

**Fig 3 – Bond 10Y yield**

|         | 2-07-2024 | 3-07-2024 | Change, bps |
|---------|-----------|-----------|-------------|
| US      | 4.43      | 4.36      | (7)         |
| UK      | 4.25      | 4.17      | (8)         |
| Germany | 2.60      | 2.59      | (2)         |
| Japan   | 1.09      | 1.10      | 1           |
| China   | 2.24      | 2.24      | 0           |
| India   | 7.01      | 7.00      | (1)         |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 2-07-2024 | 3-07-2024 | change in bps |
|--------------------------|-----------|-----------|---------------|
| Tbill-91 days            | 6.72      | 6.76      | 4             |
| Tbill-182 days           | 6.89      | 6.89      | 0             |
| Tbill-364 days           | 6.93      | 6.94      | 1             |
| G-Sec 2Y                 | 6.96      | 6.95      | (1)           |
| India OIS-2M             | 6.68      | 6.68      | 0             |
| India OIS-9M             | 6.79      | 6.78      | (1)           |
| SONIA int rate benchmark | 5.20      | 5.20      | 0             |
| US SOFR                  | 5.40      | 5.35      | (5)           |

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

| Rs tn                             | 2-07-2024 | 3-07-2024 | change (Rs tn) |
|-----------------------------------|-----------|-----------|----------------|
| Net Liquidity (-Surplus/+deficit) | (0.9)     | (1.3)     | (0.4)          |
| Reverse Repo                      | 0         | 0         | 0              |
| Repo                              | 0         | 0.4       | 0.4            |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 1-07-2024 | 2-07-2024 | change (US\$ mn/Rs cr) |
|----------------------|-----------|-----------|------------------------|
| FII (US\$ mn)        | 80.2      | (264.0)   | (344.2)                |
| Debt                 | 139.4     | 36.2      | (103.2)                |
| Equity               | (59.2)    | (300.2)   | (241.0)                |
| Mutual funds (Rs cr) | (5,068.1) | 5,291.0   | 10,359.1               |
| Debt                 | 950.3     | 2,042.1   | 1,091.9                |
| Equity               | (6,018.3) | 3,248.9   | 9,267.2                |

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 27 June and 1 Jul 2024

- Oil prices rose, amidst dip in US crude stockpiles, and hopes of Fed rate cut.

**Fig 7 – Commodities**

|                         | 2-07-2024 | 3-07-2024 | % change |
|-------------------------|-----------|-----------|----------|
| Brent crude (US\$/bbl)  | 86.2      | 87.3      | 1.3      |
| Gold (US\$/ Troy Ounce) | 2,329.5   | 2,356.2   | 1.1      |
| Copper (US\$/ MT)       | 9,527.2   | 9,720.2   | 2.0      |
| Zinc (US\$/MT)          | 2,863.9   | 2,930.6   | 2.3      |
| Aluminium (US\$/MT)     | 2,522.5   | 2,548.0   | 1.0      |

Source: Bloomberg, Bank of Baroda Research



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