

## MORNING MOCHA

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ECONOMIST  
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The recent softening of labour market data from US bolstered hopes of Fed rate cut as early as Sep'24. Investors cued in on the growing developments in Europe and remained on political watch. UK's Labour party expected to form the new government, ending 14-years of conservative party rule. Separately, household spending data in Japan declined unexpectedly by 1.8% in May'24 (much lower than anticipated). Higher prices have weighed in on consumers' purchasing power. Recently, the Q1CY24 GDP reading was also revised downwardly. This raises concerns on BoJ's view on inflation remaining under the target and economy recovering at a solid pace. Thereby, complicating the Central Bank's decision to raise rates. On the domestic front, FPI turned net buyers in Jun'24 after selling in the last 2-months, with financial and telecom sectors registering the highest flows.

- Most of the global indices ended higher. FTSE climbed 0.9% ahead of the formation of the new government. On the domestic front, Sensex edged up by 0.1% led by gains in IT and real estate stocks. It is trading lower today while other Asian stocks are trading mixed. Nikkei even breached the 41,000 mark in the morning session.

**Fig 1 – Stock markets**

	3-07-2024	4-07-2024	Change, %
Dow Jones	39,332	39,308	(0.1)
S & P 500	5,509	5,537	0.5
FTSE	8,171	8,241	0.9
Nikkei	40,581	40,914	0.8
Hang Seng	17,979	18,028	0.3
Shanghai Comp	2,982	2,958	(0.8)
Sensex	79,987	80,050	0.1
Nifty	24,287	24,302	0.1

Source: Bloomberg, Bank of Baroda Research | Note: US indices were closed on 4 Jul 2024

- Barring INR and CNY, other global currencies ended higher against the dollar. Amidst thin trading, due to holiday in the US, DXY fell by (-) 0.3%. JPY, EUR and GBP gained. Investor sentiments were impacted by political developments in UK (Labour Party set to win) and France (hung parliament is likely outcome). INR was flat. It is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	3-07-2024	4-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0786	1.0812	0.2
GBP/USD (1 GBP / USD)	1.2742	1.2760	0.1
USD/JPY (JPY / 1 USD)	161.69	161.28	0.3
USD/INR (INR / 1 USD)	83.53	83.50	0
USD/CNY (CNY / 1 USD)	7.2702	7.2682	0

Source: Bloomberg, Bank of Baroda



- Except Japan and India, other major yields closed higher. Markets in US were closed. 10Y yields in Europe reacted to ongoing political developments. In UK, Labour party is set to form the new government. Markets also await US non-farm payroll report. India's 10Y yield ended flat, and is trading at similar levels today, amidst tepid bond inflows so far.

**Fig 3 – Bond 10Y yield**

	3-07-2024	4-07-2024	Change, bps
US	4.43	4.36	(7)
UK	4.17	4.20	3
Germany	2.59	2.61	2
Japan	1.10	1.08	(2)
China	2.24	2.25	1
India	7.00	7.00	0

Source: Bloomberg, Bank of Baroda Research | Note: US indices were closed on 4 Jul 2024

**Fig 4 – Short term rates**

	3-07-2024	4-07-2024	change in bps
Tbill-91 days	6.76	6.74	(2)
Tbill-182 days	6.89	6.84	(5)
Tbill-364 days	6.94	6.93	(1)
G-Sec 2Y	6.96	6.95	(1)
India OIS-2M	6.68	6.67	(1)
India OIS-9M	6.78	6.76	(2)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.40	5.35	(5)

Source: Bloomberg, Bank of Baroda Research | Note: US indices were closed on 4 Jul 2024

**Fig 5 – Liquidity**

Rs tn	3-07-2024	4-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.3)	0
Reverse Repo	0	0	0
Repo	0.4	0.7	0.3

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	2-07-2024	3-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(264.0)	550.4	814.4
Debt	36.2	83.7	47.5
Equity	(300.2)	466.7	766.9
Mutual funds (Rs cr)	5,287.8	3,498.7	(1,789.0)
Debt	2,042.1	2,211.5	169.4
Equity	3,245.6	1,287.2	(1,958.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 1 Jul and 2 Jul 2024

- Oil prices remain steady, tracking dip in US stockpiles and UK/France elections.

**Fig 7 – Commodities**

	3-07-2024	4-07-2024	% change
Brent crude (US\$/bbl)	87.3	87.4	0.1
Gold (US\$/ Troy Ounce)	2,356.2	2,356.7	0
Copper (US\$/ MT)	9,720.2	9,734.1	0.1
Zinc (US\$/MT)	2,930.6	2,928.9	(0.1)
Aluminium (US\$/MT)	2,548.0	2,522.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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