

## MORNING MOCHA

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As per the ISM data, US manufacturing PMI declined for the 3<sup>rd</sup> straight month, down to 48.5 from 48.7 and the price pressure on inputs eased to a 6-month low. Investors will track the JOLTS report, ADP data, non-farm payroll and Fed minutes, as this will offer more cues on rate outlook. Global investors also closely monitored the growing developments around the political space, ahead of the key elections. In Germany, inflation eased down in Jun'24 to 2.5% (lowest in 3-years) from 2.8% in May'24 led by lower energy prices. Core inflation also cooled off to 2.9% (previously 3%), while service inflation remained unchanged at 3.9%. This data print came in ahead of the Eurozone inflation which is expected to moderate down to 2.5% (2.6% in May'24) raising the likelihood of another rate cut possibly in Sep'24.

- Barring FTSE (flat), other global indices ended higher. US stocks closed in green led by gains in technology stocks. Shanghai Comp surged by 0.9% after a surprising jump in manufacturing Caixin PMI which was in contrast with official data. Sensex ended higher supported by strong gains in IT and consumer durable stocks. It is trading further higher today, while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	28-06-2024	1-07-2024	Change, %
Dow Jones	39,119	39,170	0.1
S & P 500	5,460	5,475	0.3
FTSE	8,164	8,167	0
Nikkei	39,583	39,631	0.1
Hang Seng	17,716	17,719	0
Shanghai Comp	2,967	2,995	0.9
Sensex	79,033	79,476	0.6
Nifty	24,011	24,142	0.5

Source: Bloomberg, Bank of Baroda Research Note: Hang Seng was closed on 1.7.2024

- Global currencies ended mixed. DXY remained broadly stable despite a rally in US bond yields. EUR rose by 0.3% as investors sought comfort from a weaker than expected majority for the far-right parties in the French elections. JPY languished near a 38-year low. INR depreciated by 0.1%. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	28-06-2024	1-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0713	1.0740	0.3
GBP/USD (1 GBP / USD)	1.2645	1.2650	0
USD/JPY (JPY / 1 USD)	160.88	161.46	(0.4)
USD/INR (INR / 1 USD)	83.39	83.45	(0.1)
USD/CNY (CNY / 1 USD)	7.2673	7.2684	0

Source: Bloomberg, Bank of Baroda



- Except Japan and China, other global yields closed higher as investors assessed the political dynamics in US, UK and France. 10Y yield in US rose amidst growing expectations of a win for Republican candidate Donald Trump. In Germany and UK, 10Y yields rose by 11bps each. India's 10Y yield ended flat at 7.01% and is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	28-06-2024	1-07-2024	Change, bps
US	4.40	4.46	6.52
UK	4.17	4.28	10.90
Germany	2.50	2.61	10.70
Japan	1.06	1.06	0.40
China	2.21	2.25	4.30
India	7.01	7.01	0.20

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-06-2024	1-07-2024	change in bps
Tbill-91 days	6.79	6.79	0
Tbill-182 days	6.89	6.90	1
Tbill-364 days	6.93	6.93	0
G-Sec 2Y	6.96	6.97	1
India OIS-2M	6.69	6.69	0
India OIS-9M	6.79	6.79	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.34	5.33	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	30-06-2024	1-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.6)	(0.2)
Reverse Repo	0	0	0
Repo	0.5	0	(0.5)

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	27-06-2024	28-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,042.5	450.6	(591.9)
Debt	113.3	264.5	151.2
Equity	929.2	186.1	(743.1)
Mutual funds (Rs cr)	3,962.7	(5,068.1)	(9,030.7)
Debt	(995.2)	950.3	1,945.5
Equity	4,957.9	(6,018.3)	(10,976.2)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 25 June and 26 June 2024

- Oil prices rose amidst forecast of supply deficit given the OPEC+ cuts in Q3.

**Fig 7 – Commodities**

	28-06-2024	1-07-2024	% change
Brent crude (US\$/bbl)	86.4	86.6	0.2
Gold (US\$/ Troy Ounce)	2,326.8	2,331.9	0.2
Copper (US\$/ MT)	9,456.0	9,482.8	0.3
Zinc (US\$/MT)	2,878.5	2,869.3	(0.3)
Aluminium (US\$/MT)	2,524.5	2,515.5	(0.4)

Source: Bloomberg, Bank of Baroda Research



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