

## MORNING MOCHA

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ECONOMIST  
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US housing data indicates that real estate sector is showing some signs of improvement. While single-family (major contributor) housing starts rose by 1.6% (MoM) in line with market's expectation of 1.4mn units, single-family permits were up by 3.1%. Overall housing starts rose by 2.2%. What also weighed on investor sentiments were hawkish comments by some Fed officials, signalling that rate cuts might be far and rates may have to remain elevated for long to bring inflation substantially down. In Asia, positive news came from Japan, as its Q1CY23 GDP growth came in at 1.6%, up from est.: 0.7% and (-) 0.1% decline in Q4CY22. Major support came from increase in private consumption (0.6% versus est.: 0.4%), and capex (0.9% versus est.: 0.4%). Oil prices got support from hopes of easing deadlock over US debt ceiling.

- Global indices ended mixed. Investors continued to monitor developments around US debt ceiling. Gains in regional banks' stocks pushed US indices higher. Nikkei zoomed past 30,000 mark for 1<sup>st</sup> time in over 20-months, boosted by strong Q1GDP data. Sensex slipped (0.6%) led by sharp losses in real estate and metal stocks. However, it is trading higher today in line with Asian stocks.

**Fig 1 – Stock markets**

	16-05-2023	17-05-2023	% change
Dow Jones	33,012	33,421	1.2
S & P 500	4,110	4,159	1.2
FTSE	7,751	7,723	(0.4)
Nikkei	29,843	30,094	0.8
Hang Seng	19,978	19,561	(2.1)
Shanghai Comp	3,291	3,284	(0.2)
Sensex	61,932	61,561	(0.6)
Nifty	18,287	18,182	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Barring GBP (flat), other global currencies ended lower. Optimism around US debt ceiling pushed DXY higher (0.3%). Despite upbeat Q1GDP data, JPY slipped. CNY weakened as early signs of recovery post Covid-19 began to fade. INR depreciated by 0.2% amidst rise in oil prices. It is trading stronger today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	16-05-2023	17-05-2023	% change
EUR/USD (1 EUR / USD)	1.0862	1.0840	(0.2)
GBP/USD (1 GBP / USD)	1.2488	1.2487	0
USD/JPY (JPY / 1 USD)	136.39	137.68	(0.9)
USD/INR (INR / 1 USD)	82.22	82.39	(0.2)
USD/CNY (CNY / 1 USD)	6.9773	6.9965	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Global yields ended mixed. 10Y yields in US (3bps) and UK (2bps) rose the most, while they fell in Germany and Japan. Hawkish comments from some Fed officials stating that its premature to discuss rate cuts/further rate hikes, pushed yields up. India's 10Y ended flat ahead of the weekly auction and awaiting RBI's dividend announcement. It is trading flat even today.

**Fig 3 – Bond 10Y yield**

	16-05-2023	17-05-2023	change in bps
US	3.53	3.56	3
UK	3.82	3.84	2
Germany	2.35	2.34	(2)
Japan	0.40	0.37	(3)
China	2.71	2.72	1
India	6.96	6.97	0

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

**Fig 4 – Short term rates**

	16-05-2023	17-05-2023	change in bps
Tbill-91 days	6.86	6.84	(2)
Tbill-182 days	6.95	6.94	(1)
Tbill-364 days	6.97	6.95	(2)
G-Sec 2Y	6.88	6.84	(4)
India OIS-2M	6.62	6.61	(1)
India OIS-9M	6.56	6.55	(1)
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.06	5.05	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	16-05-2023	17-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.6)	(0.8)	(0.2)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	15-05-2023	16-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	185.3	349.8	164.5
Debt	(43.2)	141.3	184.4
Equity	228.5	208.6	(19.9)
Mutual funds (Rs cr)	(147.1)	(1,645.4)	(1,498.3)
Debt	(771.1)	(1,032.6)	(261.4)
Equity	624.0	(612.8)	(1,236.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 11 May 2023 and 12 May 2023

- Growing hopes around US debt ceiling pushed crude oil prices higher (2.7%).

**Fig 7 – Commodities**

	16-05-2023	17-05-2023	% change
Brent crude (US\$/bbl)	74.9	77.0	2.7
Gold (US\$/ Troy Ounce)	1,989.2	1,981.8	(0.4)
Copper (US\$/ MT)	8,074.2	8,262.8	2.3
Zinc (US\$/MT)	2,479.5	2,518.8	1.6
Aluminium (US\$/MT)	2,259.5	2,296.5	1.6

Source: Bloomberg, Bank of Baroda Research



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