

MORNING MOCHA

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ECONOMIST
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US housing starts are seen stabilising on the hopes of Fed pausing its rate hike cycle this year (expected from Jun'23). Single-family home building rose for the 2nd consecutive month in Mar'23 (+2.7% MoM) and future construction permits also rebounded. 30Y fixed mortgage rates have fallen from the peak of 7.1% in Nov'22 to 6.3% as of last week. On the other hand, in Europe, UK and Germany posted grim macro data. Germany's ZEW economic sentiment index fell to 4.1 in Apr'23 (est.: 15.3) from 13 in Mar'23, owing to high inflation rates and tight financial conditions. In UK, unemployment rate rose by 0.1% to 3.8% during Dec'22-Feb'23 period—highest since Q2CY22 and also up from estimated 3.7%.

- Global indices ended mixed as investors monitor corporate earnings report and anticipate Fed rate decision. FTSE extended its rally for 8th day led by gains in travel and leisure as well as commodity linked sectors. However, Sensex ended in red, dragged down by losses in power and consumer durable stocks. It is trading lower today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	17-04-2023	18-04-2023	% change
Dow Jones	33,987	33,977	0
S & P 500	4,151	4,155	0.1
FTSE	7,880	7,909	0.4
Nikkei	28,515	28,659	0.5
Hang Seng	20,782	20,651	(0.6)
Shanghai Comp	3,386	3,393	0.2
Sensex	59,911	59,727	(0.3)
Nifty	17,707	17,660	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other global currencies ended higher. DXY retreated yet gain. Fed's outlook was in focus with mixed signals in the commentary by Fed officials (one expecting 25bps hike and then a pause, while another expects rates to peak to 5.50%-5.75%). INR depreciated by 0.1% and is trading weaker today. Asian currencies are trading mixed.

Fig 2 – Currencies

	17-04-2023	18-04-2023	% change
EUR/USD (1 EUR / USD)	1.0926	1.0972	0.4
GBP/USD (1 GBP / USD)	1.2376	1.2425	0.4
USD/JPY (JPY / 1 USD)	134.47	134.12	0.3
USD/INR (INR / 1 USD)	81.97	82.04	(0.1)
USD/CNY (CNY / 1 USD)	6.8799	6.8762	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed, with 10Y yield in UK rising by 6bps, German Bund ending flat, and others declining. US 10Y yield was down by 2bps, as investors



anticipate Fed action post its May'23 meeting and also monitor uncertainty around Congress raising the debt ceiling. India's 10Y yield too declined, by 3bps (7.20%). It is trading even lower today at 7.19%.

Fig 3 – Bond 10Y yield

	17-04-2023	18-04-2023	change in bps
US	3.60	3.58	(2)
UK	3.69	3.75	6
Germany	2.47	2.48	0
Japan	0.49	0.48	(1)
China	2.84	2.84	(1)
India	7.23	7.20	(3)

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

Fig 4 – Short term rates

	17-04-2023	18-04-2023	change in bps
Tbill-91 days	6.73	6.70	(3)
Tbill-182 days	6.93	6.94	1
Tbill-364 days	6.98	7.00	2
G-Sec 2Y	6.96	6.92	(4)
India OIS-2M	6.57	6.56	(1)
India OIS-9M	6.62	6.61	(1)
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.80	4.80	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-04-2023	18-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.8)	(1.9)	(0.1)
Reverse repo	1.2	1.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-04-2023	17-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	191.2	(70.7)	(261.9)
Debt	93.1	(122.2)	(215.3)
Equity	98.1	51.5	(46.6)
Mutual funds (Rs cr)	1,362.4	(1,261.6)	(2,624.0)
Debt	1,818.8	(787.1)	(2,605.9)
Equity	(456.4)	(474.5)	(18.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 12 Apr 2023 and 13 Apr 2023

- Global oil prices remained flat, as benefits from falling US crude inventories were negated by concerns over weak demand, if Fed decides to hike again.

Fig 7 – Commodities

	14-04-2023	17-04-2023	% change
Brent crude (US\$/bbl)	84.8	84.8	0
Gold (US\$/ Troy Ounce)	1,995.2	2,005.5	0.5
Copper (US\$/ MT)	8,963.0	9,004.4	0.5
Zinc (US\$/MT)	2,848.0	2,880.0	1.1
Aluminium (US\$/MT)	2,378.5	2,437.0	2.5

Source: Bloomberg, Bank of Baroda Research



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