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ECONOMIST
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US housing starts jumped sharply in May'23 to 1.63mn units (+21.7% MoM) from 1.34mn units in Apr'23. This 291k increase was the highest since Jan'90, and suggests that most buyers took advantage of dip in 30Y-fixed mortgaged rate (6.77% versus peak of 7% in Nov'22). Investors now await for more cues from Fed Chair's testimony today, as there is increased probability of Fed keeping the rates elevated for long to cool the economy and inflation down. Further adding to the risks of global growth, forecasts by China's National Petroleum's research arm suggests that demand from China will remain muted. PBOC's recent measures to spur growth are also considered to be minimal and more fiscal stimulus is expected.

- Barring markets in Asia (higher), other global indices fell, as last week's market rally took a breather. Fed's potential to remain aggressive on rates and probability of growth slow down hampered investor sentiments in the US and Europe. In India, Sensex was up by 0.3% led by power, auto and tech stocks. It is trading further higher today, while Asian stocks are trading lower.

Fig 1 – Stock markets

	19-06-2023	20-06-2023	% change
Dow Jones	34,299	34,054	(0.7)
S & P 500	4,410	4,389	(0.5)
FTSE	7,588	7,569	(0.3)
Nikkei	33,370	33,389	0.1
Hang Seng	19,913	19,607	(1.5)
Shanghai Comp	3,256	3,240	(0.5)
Sensex	63,168	63,328	0.3
Nifty	18,755	18,817	0.3

Source: Bloomberg, Bank of Baroda Research | Note: markets in US were closed on 19 Jun 2023

- Except EUR (flat), JPY (higher), other global currencies closed lower. DXY ended flat, while JPY gained, as traders digest US housing starts data and await Fed Chair Powell's remarks this week. GBP fell awaiting CPI data and BoE rate decision. INR was down by 0.2%. It is trading a tad higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	19-06-2023	20-06-2023	% change
EUR/USD (1 EUR / USD)	1.0921	1.0918	0
GBP/USD (1 GBP / USD)	1.2792	1.2765	(0.2)
USD/JPY (JPY / 1 USD)	141.98	141.47	0.4
USD/INR (INR / 1 USD)	81.94	82.12	(0.2)
USD/CNY (CNY / 1 USD)	7.1634	7.1809	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: markets in US were closed on 19 Jun 2023

- Except India (flat), other global yields fell sharply. 10Y yield in UK (-16bps), Germany (-11bps) and US (-4bps) fell as investors are hoping for more



guidance on Fed's interest rate trajectory in Fed Chair's testimony today. Weakness in global demand (led by China) is also weighing on global growth concerns. India's 10Y yield closed flat, as oil prices inched down. It is trading a tad lower at 7.05% today.

Fig 3 – Bond 10Y yield

	19-06-2023	20-06-2023	change in bps
US	3.76	3.72	(4)
UK	4.49	4.34	(16)
Germany	2.52	2.41	(11)
Japan	0.40	0.39	(1)
China	2.70	2.68	(2)
India	7.06	7.06	0

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: markets in US were closed on 19 Jun 2023

Fig 4 – Short term rates

	19-06-2023	20-06-2023	change in bps
Tbill-91 days	6.76	6.77	1
Tbill-182 days	6.87	6.87	0
Tbill-364 days	6.88	6.86	(2)
G-Sec 2Y	6.97	6.98	1
India OIS-2M	6.61	6.61	0
India OIS-9M	6.66	6.67	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	19-06-2023	20-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	(0.3)	(0.1)
Reverse repo	0.2	0.9	0.7
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	16-06-2023	19-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	156.0	185.7	29.8
Debt	133.8	(28.6)	(162.4)
Equity	22.1	214.3	192.1
Mutual funds (Rs cr)	1,733.0	(387.7)	(2,120.7)
Debt	1,742.7	121.2	(1,621.5)
Equity	(9.7)	(508.9)	(499.2)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 13th and 14th Jun 2023

- Oil prices fell by 0.2%, following forecasts of weak demand from China.

Fig 7 – Commodities

	19-06-2023	20-06-2023	% change
Brent crude (US\$/bbl)	76.1	75.9	(0.2)
Gold (US\$/ Troy Ounce)	1,950.5	1,936.4	(0.7)
Copper (US\$/ MT)	8,546.0	8,552.3	0.1
Zinc (US\$/MT)	2,421.5	2,342.5	(3.3)
Aluminium (US\$/MT)	2,241.0	2,230.0	(0.5)

Source: Bloomberg, Bank of Baroda Research



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