

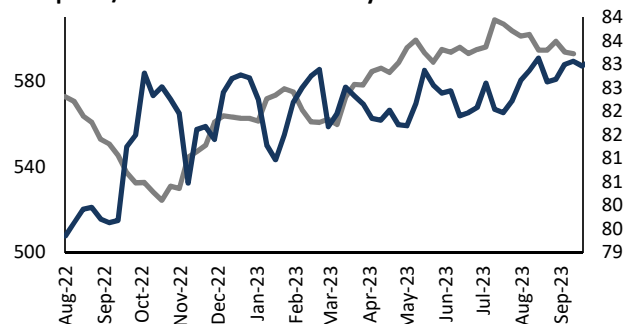
Monday, September 25, 2023

Market Outlook:

Rupee earlier in the month came under pressure and fell to fresh all-time lows after data showed trade deficit widened to the highest level in 10-months to \$24.2 in August as compared to \$20.7 billion in the previous month. At the end of the week, there was an announcement that came in from JP Morgan to include India into its emerging market bond index. The index provider will add the securities to the JPMorgan Government Bond Index-Emerging Markets starting June 28, 2024 and will have a weightage of a maximum weight of 10% on the index. The inclusion is likely to prompt flows of close to \$30 billion thereby lending strength to the rupee. In line with expectation the Federal Reserve held rates unchanged but hinted for one more rate hike in this year. Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have slowed in recent months but remain strong, and the unemployment rate has remained low. The central bank's main measure of inflation is projected to drop to 3.3% by the end of this year, to 2.5% next year and to 2.2% by the end of 2025. Dollar rose against its major crosses after the release of policy statement.

In case of the major crosses, both the euro and pound were weighed down because of the strength in the dollar and also as the Bank of England decided to take a pause on rates. Pound fell against the US dollar after the BoE decided to keep rates on hold. The BoE halted its long run of 14 straight interest rate hikes as the British economy slowed, but it said it was not taking a recent fall in inflation for granted. The BoE governor welcomed the recent fall in inflation and BoE forecasts that it would continue to ease. The BoE cut its forecast for economic growth in the July-September period to just 0.1% from August's forecast of 0.4%. Preliminary manufacturing and services PMI number for the Euro Zone and the UK is expected to fall in September.

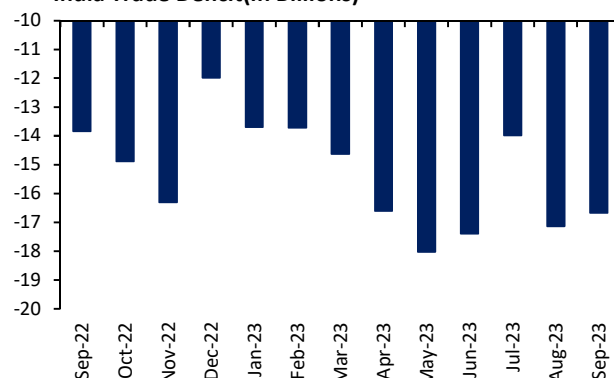
Rupee v/s Forex Reserves Weekly



Source: Reuters

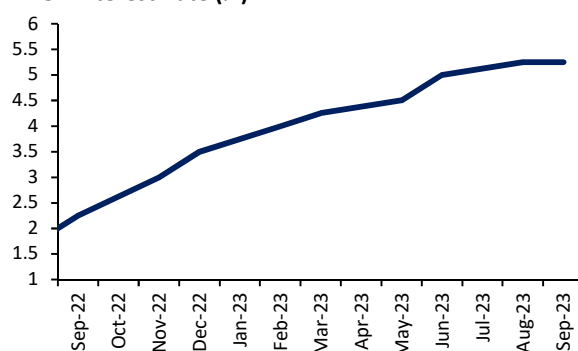
India Forex Reserves INR (RHS)

India Trade Deficit (in Billions)



Source: Reuters

BOE Interest Rate (%)



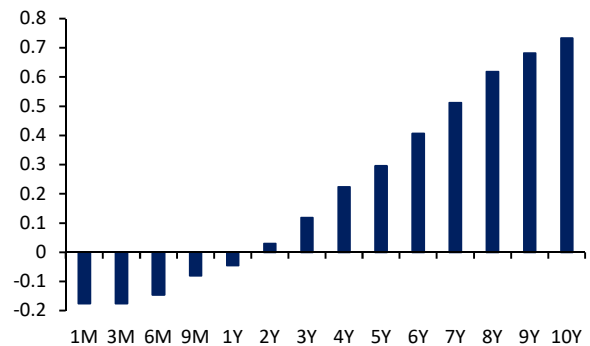
Source: Reuters

Global Currencies:

Japanese Yen continued to remain under pressure as it maintained its ultra-low interest rates and also pledged to keep supporting the economy until inflation sustainably hits its 2% target. The governor suggested that it was in no rush to phase out its massive stimulus program. Bank of Japan made no change in its forward guidance, retaining a pledge to "take additional easing measures without hesitation" if needed - language some market players thought might be changed to take on a more neutral tone.

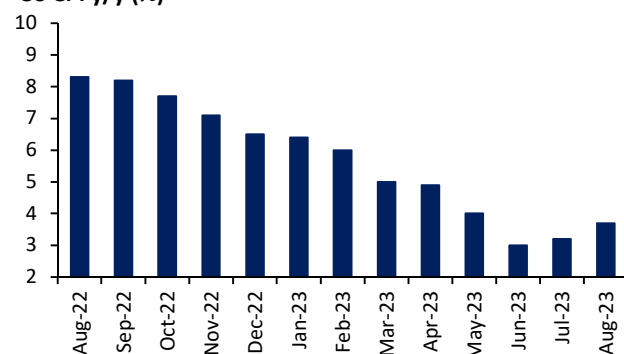
This week, on the domestic front, no major cues are lined up and it will continue to be the global factors that will influence the rupee. Dollar that gained after the FOMC policy statement extended its gains following economic numbers from the Euro zone and UK came in below estimates. From the US, market participants will be keeping an eye on the durable goods, final GDP and the all-important core PCE index to gauge a view for the currency. Better-than-expected economic numbers from the US is likely to support the dollar. From the EZ, market participants will be keeping an eye on preliminary inflation number and from UK, investors will be eyeing final GDP to gauge a view for the major crosses. For the week, we expect the USDINR (Spot) to trade in the range of 82.50 and 83.20

Japan Bond Yield (%)



Source: Reuters

US CPI y/y (%)



Source: Reuters

"Rupee gained after JPM decided to include India in its Emerging Market Bond Index"

Technical Outlook:

USDINR

USDINR traded in a relatively higher range last week as it initially expectedly tested resistance near 83.35 before correcting and closing around 82.95 mark – lower by about 0.3% for the period. Looking ahead, for the near term, the pair is likely to continue trading in a relatively higher band between immediate support at 82.65 and resistance around 83.35 mark. Meanwhile, moving beyond previous peak of 83.50 looks difficult from a short-term horizon, hence upside too looks capped. Strong lower support is around 82.50 level.



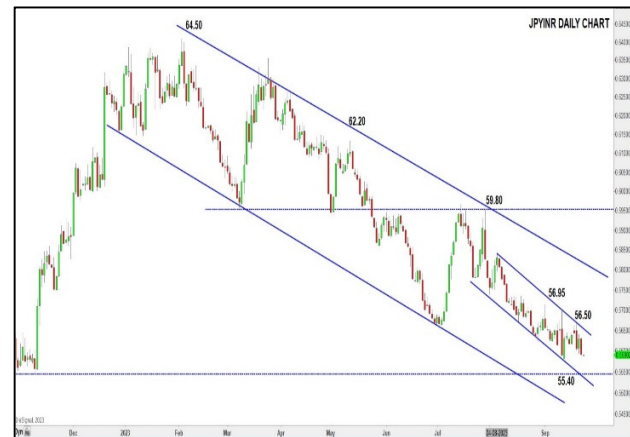
GBPINR

GBPINR continued to trade in a relatively lower range last week after it breached key support near 103.85 earlier. The pair closed the last week at a 5-month low near 101.70 – down by about 1.45% for the period. Looking ahead, since the pair has now breached and closed below important support near 102.70, the path of least resistance remains to the downside. Short-term bias thus looks negative and the current correction is likely to extend lower towards 100.80 followed by 100.30 levels. Selling on rise is advised.



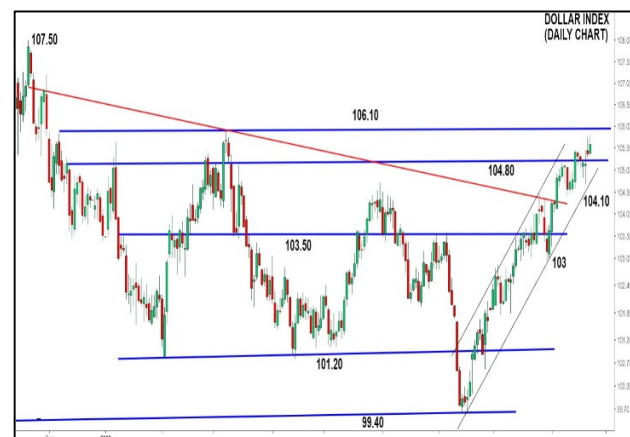
JPYINR

JPYINR continued to trade in a relatively lower range below channel resistance at 56.95 zone last week before closing around 56 mark for the period – down by about 1% for the period. Looking ahead, it is likely to continue facing resistance around 56.50 and the current decline could extend lower towards channel support at 55.40 mark. Selling on rise is thus advised from a medium-term horizon.



Dollar Index

Dollar Index continued to trade in a relatively higher range last week as it tested and closed at a 6.5-month peak near 105.50 mark – up by about 0.2% for the period. The index has now closed positively for 10 successive weeks even though it retraced marginally from the peak of 105.85 level. Looking ahead, short-term bias remains positive above immediate support around 104.80 and current rally is likely to extend further targeting higher resistance near 106.10 level. Strong lower (channel) support is around 104.10 level.



Weekly Economic Calendar

Cur.	Imp.	Event	Forecast	Previous
Monday, September 25th, 2023				
-	-	-	-	-
Tuesday, September 26th, 2023				
JPY	High	BoJ Core CPI (YoY)	3.20%	3.30%
US	High	Building Permits	1.543M	1.443M
US	High	CB Consumer Confidence (Sep)	105.6	106.1
US	High	New Home Sales (Aug)	700K	714K
Wednesday, September 27th, 2023				
EU	High	Core Durable Goods Orders (MoM) (Aug)	0.20%	0.50%
Thursday, September 28th, 2023				
EU	High	Consumer Confidence (Sep)	-17.8	-16
EU	High	German CPI (MoM) (Sep)	0.40%	0.30%
US	High	GDP (QoQ) (Q2)	2.20%	2.00%
US	High	Initial Jobless Claims	217K	201K
US	High	Pending Home Sales (MoM) (Aug)	-0.2%	0.90%
Friday, September 29th, 2023				
UK	High	GDP (QoQ) (Q2)	0.20%	0.10%
EU	High	CPI (YoY) (Sep)	4.60%	5.20%
US	High	Core PCE Price Index (MoM) (Aug)	0.20%	0.20%
US	High	Chicago PMI (Sep)	47.5	48.7
US	High	Michigan Consumer Sentiment (Sep)	67.7	69.5
EU	High	ECB President Lagarde Speaks	-	-

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