

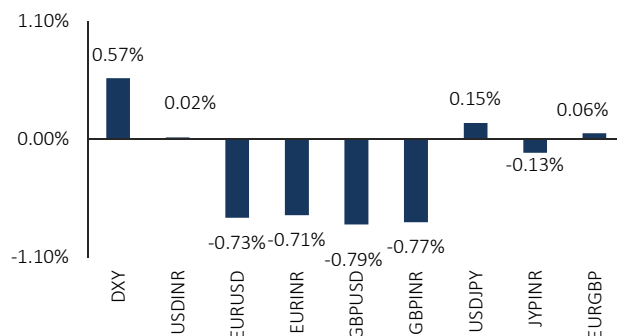
Monday, October 16, 2023

Market Outlook:

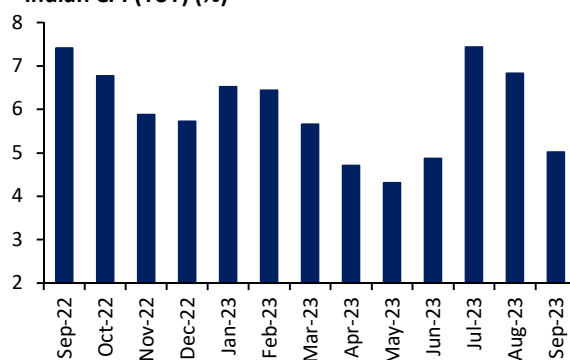
Rupee in the last few weeks has been consolidating and trading in a narrow range of 82.80 and 83.50 despite unfolding of important events that triggered volatility for the dollar index and the other major crosses. Last week, it was geopolitics which was in focus and gains for the greenback were seen on back of safe haven buying in the currency. During the weekend, gunmen from the Palestinian group Hamas rampaged through Israel, thereby killing at least 250 Israelis and escaping with dozens of hostages. Israeli government formally declared war and gave the green light for "significant military steps" to retaliate against Hamas for its surprise attack, as the military tried to crush fighters still in southern towns and intensified its bombardment of the Gaza Strip. In retaliation, Israeli Air-force has launched intense bombing raids on Gaza over the past five days and is massing tens of thousands of troops along the border ahead of a possible ground invasion. Geopolitics remains in the forefront apart from inflation number that was released during the week. Data showed inflation, on the domestic front, inflation in September eased at 5.02%, a three-month low on the back of softer vegetable prices. On the other hand, the dollar rose against its major crosses after inflation in the US rose marginally to 3.7% as compared to estimates of 3.6%. When shedding-off gas and food, the core CPI cooled for the sixth month in a row and was up 4.1% annually.

This week, on the domestic front, no major economic data is expected to be released but active RBI intervention is likely to keep the volatility in check. Latest, data released from the RBI showed FX reserves currently stand at the lowest level in five months at \$584.7 bln. On the domestic front, no major economic data is expected to be released but on the global front, from US the dollar could react to Fed member's speech and a couple of important economic data from the US. We expect the USDINR(Spot) to trade sideways and quote in the range of 82.80 and 83.50.

Major Global Currencies % change for the week

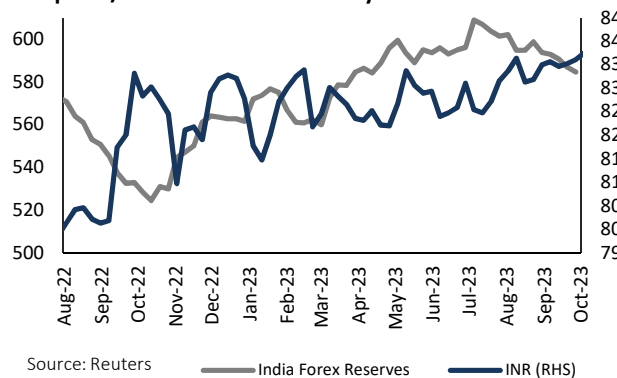


Indian CPI (YoY) (%)



Source: Reuters

Rupee v/s Forex Reserves Weekly



Source: Reuters

India Forex Reserves INR (RHS)

Global Currencies:

Volatility in the dollar was elevated and it traded in a broad range of 105.20 and 106.80 even as twists and turns on the geopolitics front lead to rising uncertainty across asset classes. Domestic equities witnessed selling pressure and safe haven buying was seen in the dollar and precious metals. The greenback gained after inflation in the US rose to 3.7% in September as compared to a rise of 3.6% in the previous month. Minutes from the Fed's September meeting showed that concern over inflation remain that led to an uptick in US treasury yields, rising to the highest level in 16-years. This week, from the US, retail sales, Philly Fed manufacturing index number and Fed member's speech will be important to watch. Better-than-expected economic data is expected to keep the dollar supported at lower levels. But geopolitics will be on the forefront and ongoing tension in Israel is likely to trigger volatility for the dollar index.

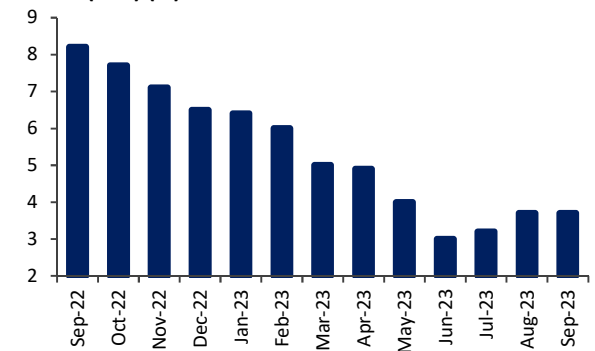
Euro and Pound both continued to remain under pressure and weakness was on back of broad strength in the dollar against its major crosses. Safe haven buying in the dollar was seen after military clashed between Israel and the Palestinian Islamist group Hamas raised concerns that the conflict might widen beyond Gaza. Weakness for the currency extended also after Fed minutes suggest that officials remain hawkish. As far as the move in pound is concerned, it was triggered by weaker-than-expected economic data from UK. Official data showed the economy expanded 0.2% in August unchanged as compared to the previous month. On the other hand, industrial and manufacturing production number also was disappointing that weighed on the currency. This week, from UK, inflation and retail sales number will be important to watch. Overall, we expect the GBPUSD pair to trade with a negative bias and quote in the range of 1.2020 and 1.2320.

Technical Outlook:

USDINR

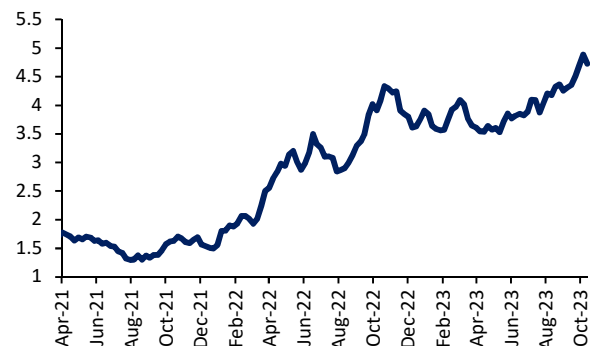
USDINR traded in a relatively higher but tight range for the whole of last week as it gyrated between immediate support at 83.15-83.10 zone and resistance near 83.45 mark. The pair eventually closed almost flat for the period near 83.30 mark. Looking ahead, current range bound move is likely to continue and further short-term bias would be clear only on either side breach of the same. Higher resistance is at 83.65 while strong lower support remains at 82.95 mark. Meanwhile, from a medium-term horizon, the bias looks positive above support at 82.70 and dip buying is advised.

US CPI (YoY) (%)



Source: Reuters

US 10 Yr Bond Yields



Source: Reuters

"Rupee in the last few weeks consolidated in a narrow range of 82.30-83.50 despite unfolding of important events"



GBPINR

GBPINR traded choppily last week as it initially edged higher, very close to stiff resistance around 103.10 mark, before giving up the gains and closing almost flat for the period near 101.80. Looking ahead, short-term bias remains negative below channel resistance at 103.10 and re-test of recent low around 100.30 mark looks likely. Meanwhile, lower support is seen at 99.70 level.



EURINR

EURINR traded in a wide range last week as it initially traded with a positive bias to test channel resistance near 88.75 mark before the pair gave up most of the gains and close flat around 87.90 mark. Looking ahead, resumption of the prior decline looks possible and selling on rise is advised targeting recent low near 87.30 followed by 86.90 mark. Meanwhile, stiff higher resistance is at 89.20 while strong lower support is placed at 86.30 mark.



Dollar Index

Dollar Index rebounded sharply from close to channel support near 104.80 after an initial bout of correction for a major part of the last week. The index eventually managed to close higher by about 0.5% near 106.50 mark. Looking ahead, short-term bias remains positive and test of recent high around 107.30 followed by November 2022 peak near 108.10 level looks possible.



Weekly Economic Calendar

Cur.	Imp.	Event	Forecast	Previous
Monday, October 16th, 2023				
US	High	NY Empire State Manufacturing Index (Oct)	-7.00	1.90
Tuesday, October 17th, 2023				
UK	High	BoE Deputy Governor Woods Speaks	3.20%	3.30%
US	High	FOMC Member Harker Speaks	1.543M	1.443M
UK	High	Average Earnings Index +Bonus (Aug)	8.30%	8.50%
UK	High	Claimant Count Change (Sep)	2.3K	0.9K
UK	High	Unemployment Rate (Aug)	4.30%	4.30%
EU	High	ZEW Economic Sentiment (Oct)	-8	-8.9
US	High	Core Retail Sales (MoM) (Sep)	0.20%	0.60%
US	High	Retail Sales (MoM) (Sep)	0.30%	0.60%
US	High	Industrial Production (MoM) (Sep)	0.10%	0.40%
Wednesday, October 18th, 2023				
CNY	High	GDP (YoY) (Q3)	4.40%	6.30%
GBP	High	CPI (YoY) (Sep)	6.50%	6.70%
EUR	High	CPI (YoY) (Sep)	4.30%	5.20%
EUR	High	ECB President Lagarde Speaks	-	-
USD	High	Building Permits (Sep)	1.455M	1.541M
USD	High	Housing Starts (Sep)	1.380M	1.283M
USD	High	Crude Oil Inventories	-	10.176M
USD	High	Fed Waller Speaks	-	-
USD	High	FOMC Member Williams Speaks	-	-
USD	High	FOMC Member Bowman Speaks	-	-
Thursday, October 19th, 2023				
USD	High	FOMC Member Harker Speaks		
USD	High	Initial Jobless Claims	213K	209K
USD	High	Philadelphia Fed Manufacturing Index (Oct)	-6.4	-13.5
USD	High	Existing Home Sales (Sep)	3.89M	4.04M
USD	High	Existing Home Sales (MoM) (Sep)	-	-0.70%
USD	High	Natural Gas Storage	-	84B
USD	High	Fed Chair Powell Speaks		
Friday, October 20th, 2023				
JPY	High	National Core CPI (YoY) (Sep)	2.70%	3.10%
UK	High	Core Retail Sales (MoM) (Sep)	-0.40%	0.60%
UK	High	Retail Sales (YoY) (Sep)	0.00%	-1.40%
UK	High	Retail Sales (MoM) (Sep)	-0.10%	0.40%
IN	High	FX Reserves, USD	-	584.74B

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