

# CURRENCY WEEKLY

Monday, October 23, 2023

## Market Outlook:

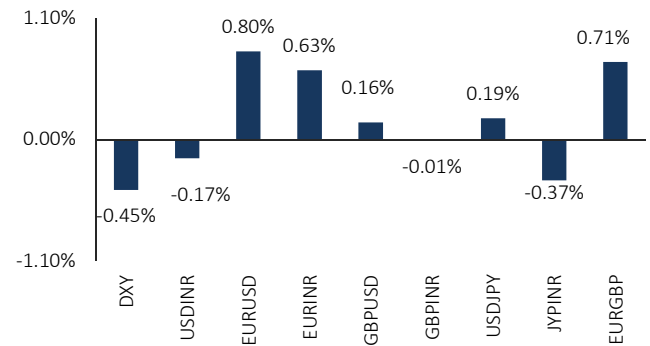
In the last few weeks, rupee has been trading in a narrow range and volatility was low despite various events getting unfolded on the domestic as well as on the global front. Active RBI intervention is keeping the volatility in check and expectation is that this is likely to continue in the next couple of weeks as well following lack of cues on the domestic front. Global crude oil prices have been on the rise and that too has had muted impact on the currency. Crude has gained by over 8% as geopolitics remained in focus and uncertainty in Israel is keeping most market participants on the edge. During the week, dollar strengthened against its major crosses and US 10-year yields rose to 5%, highest level in 16 years. US treasuries rallied after Fed Chairman's comments on the economy, wherein he continued to raise concerns over inflation. Hawkish tone on rates continued to keep the greenback supported at lower levels, thereby weighing on the other major crosses including the rupee.

This week, on the domestic front, no major economic data is expected to be released but global factors will continue to remain in focus. Geopolitics will importantly be in focus and any escalation could trigger weakness in the rupee and safe haven buying for the dollar. On the global front, economic numbers from the US and the ECB policy statement will be important to watch. Expectation is that the central bank could keep rates on hold but commentary of the governor will be important to watch. We expect the USDINR(Spot) to trade sideways and quote in the range of 82.80 and 83.50.

## Global Currencies:

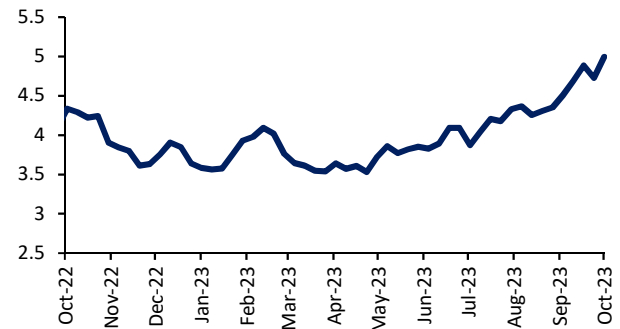
Dollar in the last couple of weeks has been consolidating in a wide range despite rise in uncertainty on the geopolitical front. Losses have been capped as safe haven buying was seen in the greenback as Israel military warned residents in Gaza.

Major Global Currencies % change for the week



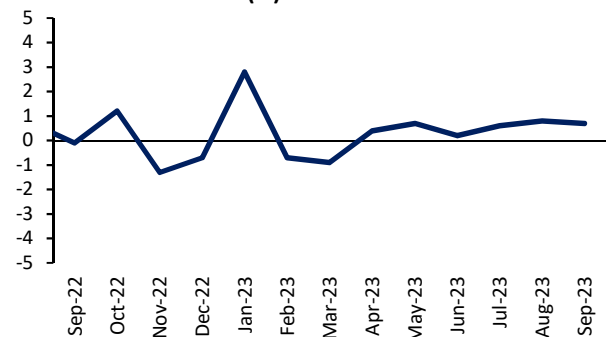
Source: Reuters

US 10 Yr Bond Yields



Source: Reuters

US Retail Sales MoM (%)

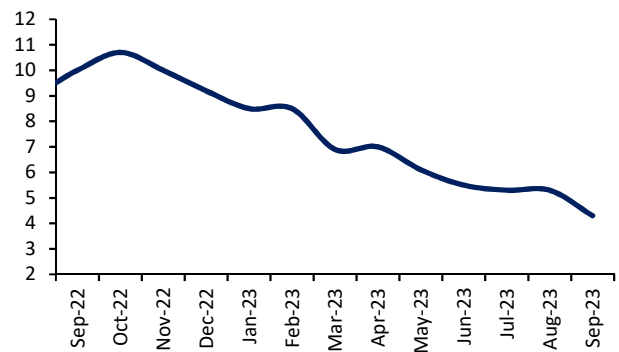


Source: Reuters

From the US, on the economic calendar, have beaten estimates and that continues to keep the dollar supported at lower levels. Last week, it was Fed Chairman's comments that triggered volatility. He mentioned that U.S. economy's strength and tight labor markets could require tough borrowing conditions to control price rise. The Fed Chairman also added that the central bank was proceeding carefully in evaluating the need for further rate increases. This week, preliminary manufacturing and services PMI number from major economies is expected to be released. Apart from this, from the US, advance GDP, durable goods and core PCE index will be keenly watched. This week, preliminary manufacturing and services PMI number from major economies is expected to be released. Apart from this, from the US, advance GDP, durable goods and core PCE index will be keenly watched. Overall, we expect the dollar to trade with a positive bias against its major crosses.

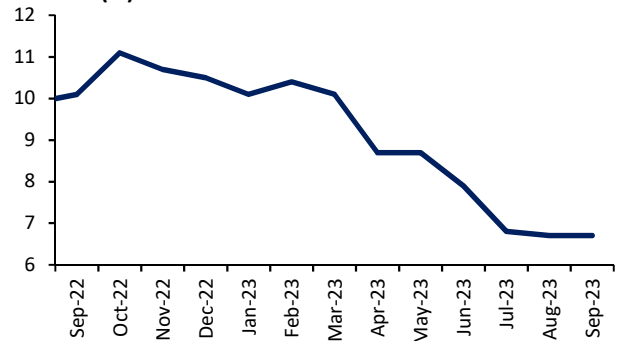
Euro and Pound gained marginally but broadly has been under pressure as economic numbers from both the economies have been disappointing. Last week, data showed inflation (YoY) in the Euro Zone remained unchanged at 4.3% as compared to the previous month. On the other hand, UK inflation also was unchanged at 6.7% in September as compared to the previous month. This week, market participants will be keeping an eye on the ECB policy statement; expectation is that the central bank could keep rates unchanged but commentary of the governor will be important to watch. Preliminary manufacturing and services number from the Euro zone and the UK is also likely to trigger volatility for both the major crosses. We expect that both these major crosses could be trading with a slightly negative bias against the US dollar.

EU CPI (%)



Source: Reuters

UK CPI (%)



Source: Reuters

*"Dollar gained despite rising uncertainty on the geopolitical front"*

## Technical Outlook:

### USDINR

USDINR traded in a relatively tight range for the whole of last week as it gyrated between immediate support at 83.05-83.10 zone and immediate resistance near 83.35 mark. The pair eventually closed marginally lower around 83.15 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 83.45-83.50 while strong lower support remains at 82.85 mark. Meanwhile, from a medium-term horizon, the bias looks positive above support at 82.70 and dip buying is advised.



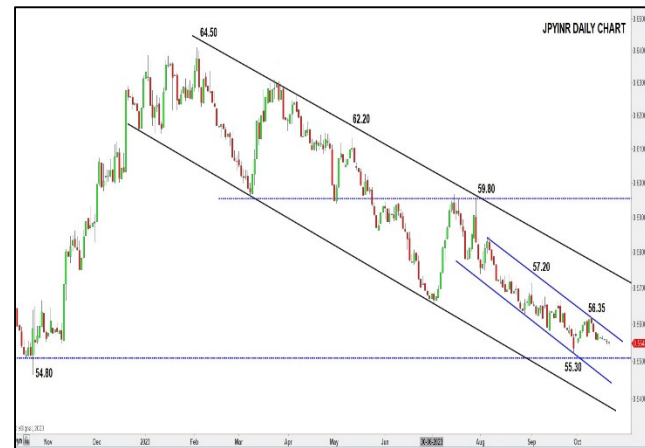
## GBPINR

GBPINR expectedly traded in a relatively lower range as it closed the last week around 100.90 mark – down by about 0.85% for the period. Looking ahead, short-term bias remains negative below immediate resistance near 102.30 and the corrective move is likely to extend lower with test of support near 100.30 level looking possible. Selling on rise is thus advised. Stiff higher channel resistance is at 103.10 while strong lower support is around 99.70 mark.



## JPYINR

JPYINR continued to trade in a lower range last week as it closed around 55.50 mark - the weakest level since November 2022 – down by about 0.4% for the period. Looking ahead, short-term bias remains negative below channel resistance at 56.35 mark and current downtrend is likely to extend lower targeting 55.30 followed by 54.80 level. Selling on rise is thus advised.



## Dollar Index

Dollar Index traded in a relatively narrow band between 105.90-106.65 levels before closing above channel support near 106.15 mark. Looking ahead, short-term bias remains positive above support at 104.80 and test of previous high near 107.30 mark looks possible.



## Weekly Economic Calendar

Cur.	Imp.	Event	Forecast	Previous
<b>Monday, October 23rd, 2023</b>				
EU	High	Consumer Confidence (Oct)	-18.3	-17.8
<b>Tuesday, October 24th, 2023</b>				
JPY	High	BoJ Core CPI (YoY)	3.30%	3.30%
UK	High	Claimant Count Change (Sep)	2.3K	0.9K
UK	High	Unemployment Rate (Aug)	4.30%	4.30%
EU	High	HCOB Eurozone Manufacturing PMI (Oct)	43.7	43.4
EU	High	HCOB Eurozone Services PMI (Oct)	48.7	48.7
UK	High	S&P Global/CIPS UK Manufacturing PMI	45	44.3
UK	High	S&P Global/CIPS UK Services PMI	49.5	49.3
EU	High	ECB President Lagarde Speaks		
US	High	S&P Global US Manufacturing PMI (Oct)	49.5	49.8
US	High	S&P Global Services PMI (Oct)	49.9	50.1
<b>Wednesday, October 25th, 2023</b>				
US	High	Building Permits	1.473M	1.541M
US	High	New Home Sales (Sep)	680K	675K
US	High	Crude Oil Inventories	-0.500M	-4.491M
EU	High	ECB President Lagarde Speaks	-	-
<b>Thursday, October 26th, 2023</b>				
EU	High	ECB Interest Rate Decision (Oct)	4.50%	4.50%
US	High	Core Durable Goods Orders (MoM) (Sep)	0.20%	0.40%
US	High	GDP (QoQ) (Q3)	4.20%	2.10%
US	High	Initial Jobless Claims	209K	198K
EU	High	ECB Press Conference	-	-
US	High	Pending Home Sales (MoM) (Sep)	-1.30%	-7.10%
US	High	Natural Gas Storage	-	97B
<b>Friday, October 27th, 2023</b>				
IN	High	FX Reserves, USD	-	585.90B
US	High	Core PCE Price Index (MoM) (Sep)	0.30%	0.10%
US	High	Michigan Consumer Sentiment (Oct)	63	68.1

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