

# CURRENCY WEEKLY

Monday, November 13, 2023

## Market Outlook:

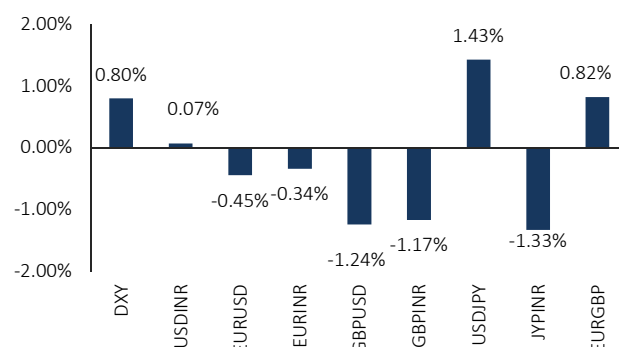
Rupee fell to fresh record lows last week following a system outage and other trigger triggered volatility for the rupee. Broadly, for the week, it traded in a narrow range despite swings witnessed in the dollar against its major crosses. Fed Chairman's statement was scheduled during the week and he continued to remain hawkish. Dollar gained after the Fed Chairman's comments and US treasuries gained after falling to levels of 4.40 – 4.50%. In his commentary, the Fed Chairman did appreciate the slowing pace of inflation but is unsure whether the central bank has done enough to keep the momentum going. He also added that inflation is above what the Fed targets while describing policy as "significantly restrictive." On the domestic front, suspected RBI intervention is keeping the volatility in check for the rupee and latest data showed, RBI's FX reserves stand at \$590.78 billion. Dollar was weighed down after data showed the US economy added 150k jobs in October as compared to estimates of 180k job addition. The greenback fell also as unemployment rate rose to 3.9% from 3.8% posted in the previous month. US treasuries retraced a bit after hitting the highest level in 16-years.

This week, on the domestic front, inflation number will be released and expectation is that it could come in lower as compared to the previous month. Volatility is expected to remain low as most market participants could remain on the side-lines following Diwali and New-year holidays. Fed Chairman in his comments was hawkish and better-than-expected economic numbers could continue to keep the dollar supported at lower levels. We expect the USDINR (Spot) to trade sideways and quote in range of 82.80 and 83.50

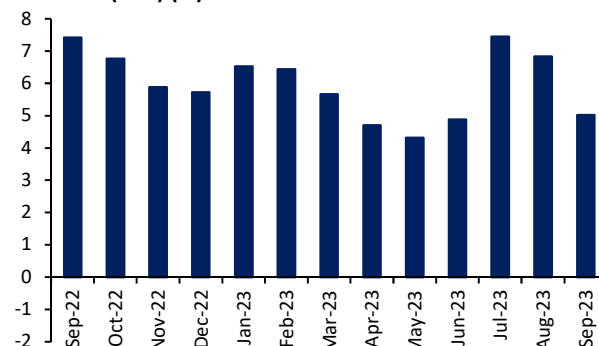
## Global Currencies

Dollar index gained marginally after falling in the last couple of sessions primarily after hawkish comments from the Fed Chairman. Weakness in the dollar has been on back of weaker-than-expected economic data from the US and as expectation builds up of slower and gradual rate hike by the Fed.

Major Global Currencies % change for the week

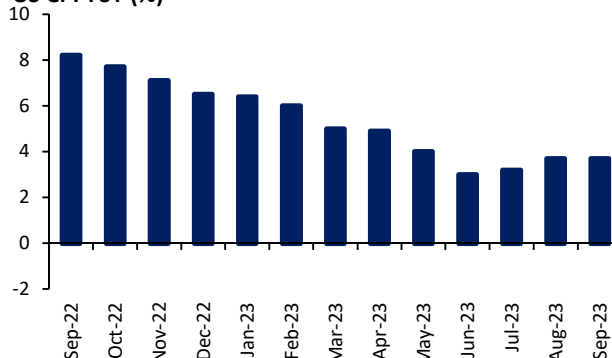


India CPI (YoY) (%)



Source: Reuters

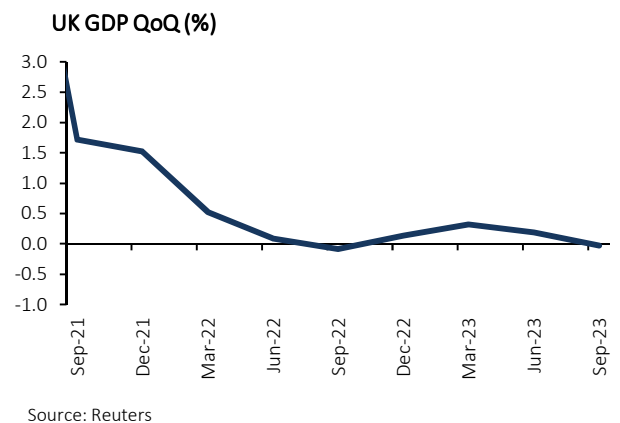
US CPI YoY (%)



Source: Reuters

Trigger for the dollar was following weak jobs data that showed the US economy added 150,000 jobs in October as compared to 297,000 job additions in the previous month. On the other hand, services PMI number also fell to 51.8 as compared to 53.6 in the previous month. During the weekend, Moody's lowered its credit rating for the US to negative from stable. The agency expects the country's fiscal deficit will remain large and significantly weaken debt affordability. This week, from the US, inflation, retail sales and Philly fed manufacturing index will be important to watch. We expect the Dollar Index to trade with a positive bias and quote in the range of 104.50 and 108.20

Euro and Pound both traded lower after rebounding last week after economic numbers released from the EZ came in lower than estimates. Data showed services PMI came in line with estimates on the other hand retail sales contracted. On Friday, the pound gained following better-than-expected economic number from the UK. Data showed GDP grew 0.2% in September as compared to unchanged in the previous month. On the other hand, trade deficit was lower in October as compared to the previous month. This week, from the UK, inflation, retail sales and employment numbers will be important to watch. Expectation is that inflation could grow at a slower pace and retail sales could grow in October as compared to contraction in the previous month. From the EZ, trade balance and final CPI will be keenly eyed. We expect that the pound could outperform the euro this week; in this case gains for pound could be more as compared to the euro.



*"Moody's lowered its credit rating for the US to negative from stable"*

## Technical Outlook:

### USDINR

USDINR traded in a broader range for the whole of last week as it moved between immediate support at 83.15-83.20 zone and immediate resistance near 83.55 mark. The pair eventually closed toward the upper end of the range near 83.35 mark – up by about 0.06% for the period. It has attempted to breach the range on higher side implying buying interest. Looking ahead, short-term trajectory appears to be upwards. Higher resistance is at 83.55-83.60 while strong lower support remains at 82.95-82.90 zone. Meanwhile, from a medium-term horizon, the bias looks positive above support at 82.90 and dip buying is advised.



## GBPINR

GBPINR expectedly traded in a lower range as it closed the last week around 101.80 mark. Looking ahead, short-term bias remains negative below immediate resistance near 103.40 and the corrective move is likely to extend lower with test of support near 101.00 level looking possible. Selling on rise is advised for the short-term. Stiff downward sloping upper trend line resistance is at 103.10 while strong lower support is around 100.25 mark.



## EURINR

EURINR traded in a narrow range last week as it initially traded with a positive bias and is holding well above its downward sloping channel breakout towards upside. Looking ahead, it is likely to trade in a higher range above support at 88.75 mark. Buying on dips is advised targeting 89.55 level. Meanwhile, stiff higher resistance is observed at 89.85 while strong lower support is placed at 88.00 mark.



## Dollar Index

Dollar Index rebounded sharply from confluence of support near 104.70 level after witnessing sharp recovery for a major part of the last week. The index eventually managed to close higher by about 0.80% near 105.70 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
<b>Monday, November 13th, 2023</b>				
US	Low	OPEC Monthly Report	-	-
IN	High	CPI (YoY) (Oct)	4.8%	5.02%
<b>Tuesday, November 14th, 2023</b>				
IN	High	WPI Inflation (YoY) (Oct)	-0.20%	-0.26%
UK	High	Average Earnings Index +Bonus (Sep)	7.40%	8.10%
UK	High	Claimant Count Change (Oct)	15K	20.4K
UK	High	Unemployment Rate (Sep)	4.20%	4.20%
US	Low	IEA Monthly Report	-	-
EU	High	German ZEW Economic Sentiment (Nov)	5	-1.1
EU	High	ZEW Economic Sentiment (Nov)	6.1	2.3
US	High	Core CPI (MoM) (Oct)	0.30%	0.30%
US	High	CPI (YoY) (Oct)	3.30%	3.70%
<b>Wednesday, November 15th, 2023</b>				
JPY	High	GDP (QoQ) (Q3)	-0.1%	1.20%
UK	High	CPI (YoY) (Oct)	4.80%	6.70%
IN	High	Trade Balance	-20.50B	-19.37B
US	High	Core Retail Sales (MoM) (Oct)	-0.2%	0.60%
US	High	NY Empire State Manufacturing Index (Nov)	-2.6	-4.6
US	High	PPI (MoM) (Oct)	0.10%	0.50%
US	High	Retail Sales (MoM) (Oct)	-0.1%	0.70%
US	High	Crude Oil Inventories	-0.300M	0.774M
<b>Thursday, November 16th, 2023</b>				
EU	High	ECB President Lagarde Speaks	-	-
US	High	Initial Jobless Claims	222K	217K
US	High	Philadelphia Fed Manufacturing Index (Nov)	-11	-9
US	High	Industrial Production (MoM) (Oct)	-0.4%	0.30%
US	High	Natural Gas Storage	-7B	79B
<b>Friday, November 17th, 2023</b>				
CN	High	Retail Sales (MoM) (Oct)	0.30%	-0.90%
IN	High	CPI (YoY) (Oct)	2.90%	4.30%
UK	High	Building Permits (Oct)	1.450M	1.471M

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