

CURRENCY WEEKLY

Monday, November 20, 2023

Market Outlook:

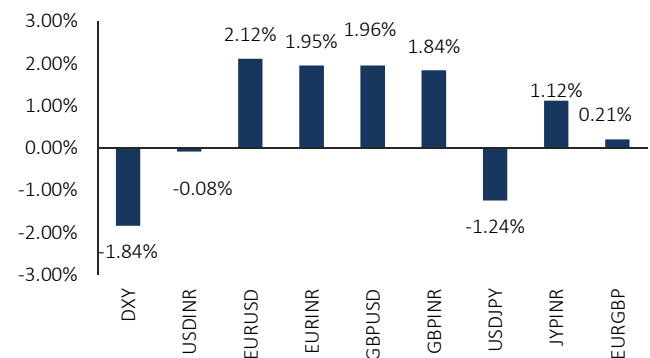
Rupee fell to fresh record lows following a system outage in Refinitiv and that led to some panic selling in the currency. The week, started with rupee trading slightly weaker against the US dollar but tables turned around after US reported softer than expected inflation number. On the domestic front, data showed India's trade deficit moderated this month from October's high. Imports rose 20%, while exports rose to \$33.6 billion, resulting in all time trade deficit of \$31.5 billion. On the domestic front, data showed India CPI eased to 4.87% in October, recording a five-month low mark, as compared to 5.02% in the previous month. Core CPI too eased 4.62% in October as compared to 4.97% a month ago. Reaction on the rupee remained muted after the release of India inflation number. But rupee appreciated sharply after US reported softer inflation print. Dollar Index crashed after US CPI showed slower growth in October. Inflation grew 3.2% (YoY) as compared to 3.7% in the previous month. Core CPI too fell to 4%, smallest gain since September 2021, in October as compared to increase of 4.1% in the previous month.

This week, on the domestic front, no major economic data is expected to be released but global factors will continue to influence the currency. From the major economies, preliminary manufacturing and services PMI number will be important to watch. Weaker-than-expected economic data could increase bets of rate cuts by the central bank. In case of the USDINR pair, we expect that active intervention could by the RBI could keep the volatility in check. We expect the pair to trade sideways and quote in the range of 82.80 and 83.50.

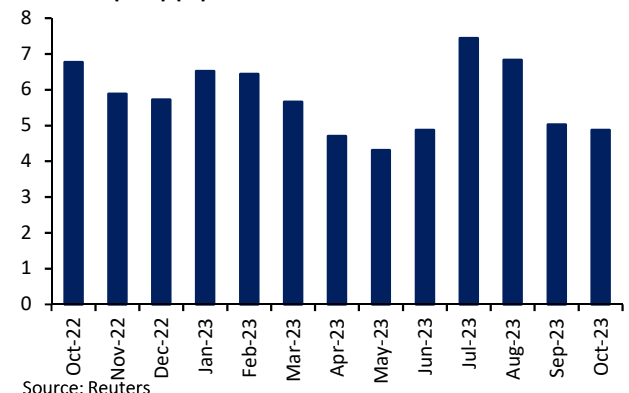
Global Currencies

Dollar fell sharply after US CPI showed slower growth in October and data showed inflation grew at 3.2% as compared to 3.7% in the previous month. Markets overwhelmingly believe that the Fed is done tightening monetary policy, but the data of late is sending conflicting signals. US 10-year treasury yields fell 18bps to 4.45% and more sensitive 2-year yields fell below 4.9%.

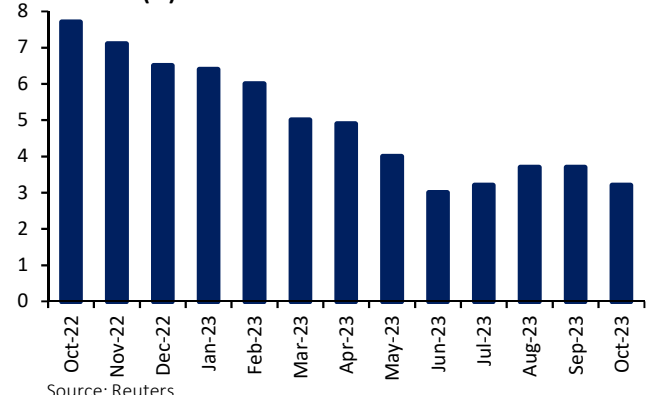
Major Global Currencies % change for the week



India CPI (YoY) (%)



US CPI YoY (%)



Major crosses Euro, Pound and Japanese Yen rose sharply against the dollar after softer US inflation data. Market participants remained cautious ahead of the meeting that was scheduled between the US President and Chinese Premier, wherein both the counterparty discussed on various issues like Taiwan, Iran, Middle East and on restoring military communication between the two. As per recent Fed fund futures data, market participants are anticipating that the central bank could look to cut rates twice to the tune of 25bps in 2024; first in May 2024 and another one in September. This week, apart from preliminary manufacturing and services PMI number from the US will be important to watch. We expect the dollar index to trade with a negative bias and quote in the range of 103.20 and 104.50.

Euro and Pound both gained after inflation in the US came in below estimates and after industrial production contracted in the October. Both the currencies have recovered from recent lows primarily as the dollar came under pressure. Economic numbers from the Euro zone and the UK have been in-line with estimates but have not surprised on the upside suggesting that the recovery could be slow. Preliminary data showed GDP in the EZ continued to contract at 0.1%. On the other hand, inflation in the UK fell to the lowest level in a year to 4.6% and retail sales contracted 0.3% in October as compared to contraction of 1.1% in the previous month. This week, focus will be on the preliminary manufacturing and services PMI number from the EZ and the UK and better-than-expected data could extend gains for the currency.

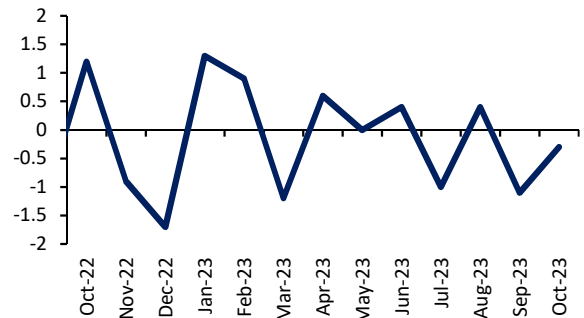
The yen strengthened sharply, and the dollar traded below 150 yen, as concerns grow about the weakening global economic outlook. The finance minister hinted that intervention will be aimed to arrest market volatility. Volatility will continue to remain elevated but recent move suggest that appreciation for the currency could extend further. This week, from Japan, no major economic data is expected to be released from Japan. We expect the USDJPY pair to trade sideways with a negative bias and quote in the range of 148 and 150.20.

Technical Outlook:

Dollar Index

Dollar Index has created consolidation range breakout towards downside. The index eventually managed to close lower by about 1.80% near 103.80 mark. Looking ahead, short-term bias remains negative and a test of recent low around 102.90 followed by 101.70 level looks possible in the medium term going forward.

UK Retail Sales YoY (%)



Source: Reuters

"Dollar Index crashed after US CPI showed slower growth in October; inflation grew 3.2% (YoY) as compared to 3.7% in the previous month"



USDINR

USDINR traded in a broader range for the whole of last week as it moved between support at 82.95-83.00 zone and immediate resistance near 83.30 mark. The pair eventually closed towards the lower end of the range near 83.20 mark – down by about 0.08% for the period. It has attempted to breach the range on lower side, however witnessed a shakeout. Looking ahead, short-term trajectory appears to be bumpy. Higher resistance is at 83.35 while strong lower support remains at 82.95 zone. Meanwhile, from a medium-term horizon, the bias looks negative below resistance at 83.55 and sell on rise is advised.



GBPINR

GBPINR traded in a higher range as it closed the last week around 103.70 mark. Looking ahead, short-term bias remains positive above immediate support near 103.00 and the corrective rally is likely to extend higher with test of resistance near 105.00 level looking possible. Buying on dips is advised for the near-term. It has convincingly produced an upside breach of downward-sloping trend line resistance on the weekly chart. Meanwhile, strong lower support is observed around 101.90 – 102.00 region.



JPYINR

JPYINR traded in a higher range last week as it overall traded with a positive bias and is holding well above its downward-sloping trend line breakout level near 55.20 mark. The 14-period Relative Strength Index (RSI) currently stands around 55, positioned above the midpoint, signalling market strength. Looking ahead, it is likely to trade in a higher range above support at 55.20 mark. Buying on dips is advised targeting 56.35 level. Meanwhile, stiff higher resistance is observed at 56.80 while strong lower support is placed at 54.80 mark (October 2022 low).



Weekly Economic Calendar

Currency.	Imp.	Event	Forecast	Previous
Monday, November 20th, 2023				
EU	High	German PPI (MoM) (Oct)	-0.1%	-0.20%
Tuesday, November 21st, 2023				
US	High	Existing Home Sales (Oct)	3.90M	3.96M
EU	High	ECB President Lagarde Speaks	-	-
Wednesday, November 22nd, 2023				
US	High	FOMC Meeting Minutes	-	-
UK	High	Autumn Forecast Statement	-	-
US	High	Core Durable Goods Orders (MoM) (Oct)	0.10%	0.50%
US	High	Initial Jobless Claims	225K	231K
US	High	Michigan Consumer Sentiment (Nov)	60.4	63.8
EU	High	Consumer Confidence (Nov)	-17.6	-17.9
US	Low	Crude Oil Inventories	-	3.600M
US	Low	Natural Gas Storage	-	60B
Thursday, November 23rd, 2023				
US	-	United States - Thanksgiving Day Holiday	-	-
JPY	-	Japan - Workers Day Holiday	-	-
US	High	FOMC Meeting Minutes	-	-
EU	High	Flash Manufacturing PMI (Nov)	43.3	43.1
EU	High	Flash Services PMI (Nov)	48.1	47.8
GB	High	Flash Manufacturing PMI	45	44.8
GB	High	Flash UK Services PMI	49.5	49.5
Friday, November 24th, 2023				
JPY	High	National Core CPI (YoY) (Oct)	3%	2.80%
EU	High	German GDP (QoQ) (Q3)	-0.1%	0.00%
IN	High	FX Reserves, USD	-	590.32B
US	High	S&P Global Manufacturing PMI (Nov)	49.8	50
US	High	S&P Global Services PMI (Nov)	50.3	50.6

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