CURRENCY WEEKLY

Motilal Oswal Financial Services

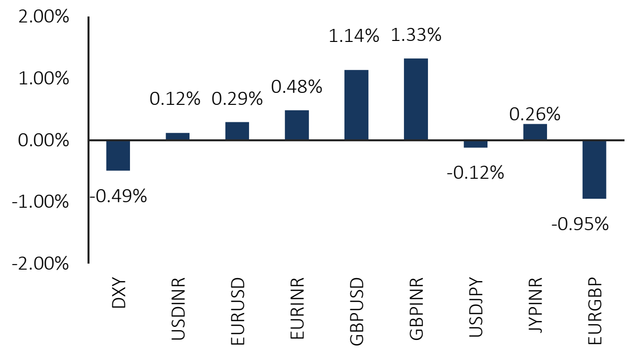
Tuesday, November 28, 2023

Market Outlook:

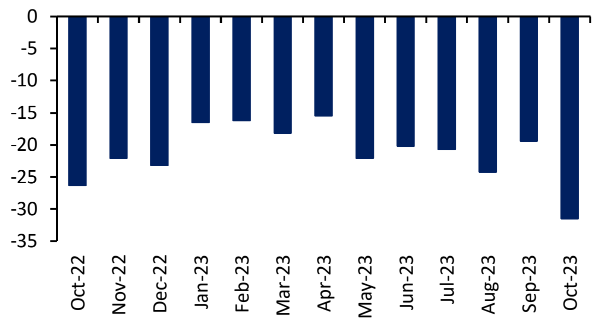
Volatility for the rupee continues to remain low following lack of cues on the domestic as well as on the global front. On the domestic front, IPO related flows supported the rupee and extended gains in the intraday session. At the same time, weakness in the dollar index also lent support to the rupee. No major economic data was released on the domestic front and that too kept the volatility in check for the rupee. Dollar rose mid-week ahead of the FOMC meeting minutes that showed all participants agreed that the Committee was in a position to proceed carefully. The minutes further mentioned that participants noted tightening of monetary policy would be appropriate if incoming information indicated progress toward the Committee's inflation objective was insufficient. But gains were capped after data released from the US showed durable goods order contracted by 5.4% as compared to growth of 4.6% in the previous month. Most market participants remained on the side lines as US markets remained shut on account of Thanksgiving Day holiday. Dollar did witness swings after economic data releases from the US were marginally disappointing.

This week, on the domestic front, no major economic data is expected to be released but market participants remain cautious ahead of the RBI policy statement that is scheduled in the first week of December. Expectation is that the central bank could keep rates on hold but commentary is likely to provide cues to the currency that has been stable for the last few weeks. Any major comment on inflation and growth of the economy could influence the rupee. Volatility for the local currency has been in check following active RBI intervention, Latest data released by the RBI showed reserves dipped by $462 million and total currently stand at $590.32billion. We expect that the USDINR(Spot) could continue to trade sideways and quote in the range of 83.05 and 83.50.

Major Global Currencies % change for the week

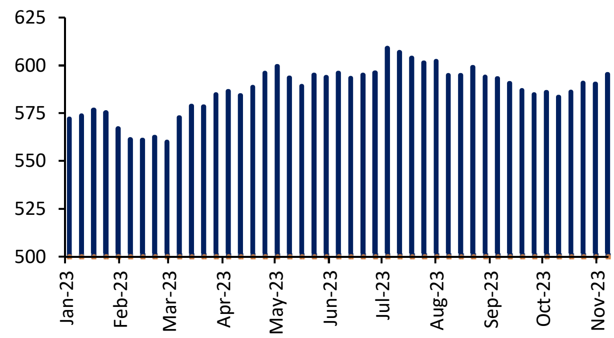


India's trade deficit



Source: Reuters

Weekly Forex Reserves ($) (bln)



Source: Reuters

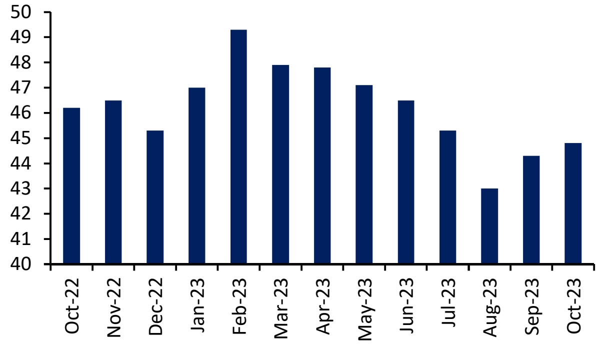
Global Currencies

Euro and pound too were volatile after the release of preliminary manufacturing and services PMI. Data showed German manufacturing was slightly disappointing and services came in line with estimates. Pound in the intraday session gained after both manufacturing and services PMI rose above estimates. Data showed manufacturing in the UK could rise to 46.8 as compared to 44.8 in the previous month. On the other hand, services PMI is expected to rise to 50.5 in November as compared to 49.5 in October. The Pound could trade higher also on reports that suggest that the central bank would refrain from its discussion on rate cuts following concerns over upside in inflation on back of geopolitical tension in the Middle East.

This week, from the US, consumer confidence, prelim GDP, core PCE index and manufacturing PMI number will be important to watch. Better-than-expected economic data is expected to keep the dollar supported at lower levels. From the EZ, preliminary inflation and final manufacturing PMI and similarly from the UK, final manufacturing number will be key to watch and determine a view for the major crosses.

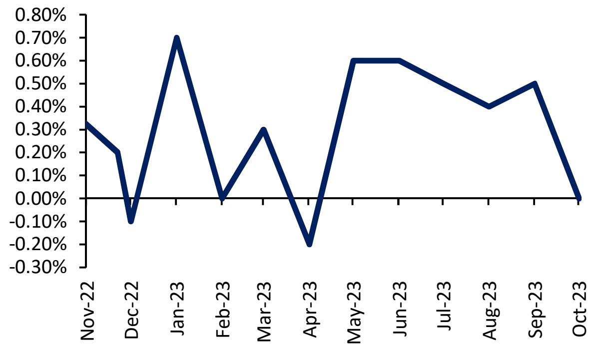
Japanese Yen gained for the third successive week in the wake of divergence between the Bank of Japan (BoJ) and the Federal Reserve (Fed) policy expectations. Latest data showed, the nationwide headline and core CPI remained above the Bank of Japan's 2% target. On the other hand, dollar fell to multi-month low amid growing acceptance that the Federal Reserve is done raising rates and may start easing in 2024. For the week, focus will be Japan consumer confidence and manufacturing PMI. We expect the USDJPY to trade with a negative bias and quote in the range of 147 and 150.

UK Manufacturing PMI



Source: Reuters

US Core Durable Goods Orders MoM



"Volatility for the rupee continues to remain low following lack of cues on the domestic as well as on the global front"

Technical Outlook:

Dollar Index

Dollar Index has created a consolidation range-breakout towards the downside on the weekly scale. The index eventually managed to close lower by about 0.50% near 103.30 mark. Looking ahead, short-term bias remains negative and a test of recent low around 102.90 followed by lower support at 101.50 level looks possible in the medium-term going forward.

USDINR

USDINR expectedly traded in a narrow range for the whole of last week as it moved between support at 83.15-83.20 zone and immediate resistance near 83.40 mark. The pair eventually closed towards the upper end of the range near 83.35 mark - up by about 0.15% for the period. Looking ahead, current range bound move is likely to continue and further short-term trend would emerge only on either side breach of the same. Higher resistance is placed at 83.65 while strong lower support remains at 82.95 zone. Meanwhile, from a medium-term horizon, the bias looks positive above 82.95 and buying on dips is advised.

GBPINR

GBPINR expectedly traded in a higher range as it closed the last week around 104.70 mark. Looking ahead, short-term bias remains positive above immediate support near 103.80 and the corrective rally is likely to extend higher with test of resistance near 106.30 level looking possible. Buying on dips is advised for the near-term. On the weekly chart, price has now firmly broken through multiple resistance levels near 105.00 indicating further upside bias. Meanwhile, strong lower support is observed around 102.90 – 103.00 region.

EURINR

EURINR is consistently forming series of higher highs and higher lows since the past three weeks indicating an immediate uptrend. The 14-period Relative Strength Index (RSI) currently stands around 70 and is positioned above the midpoint, signalling market strength. Looking ahead, the pair is likely to trade in a higher range above support at 90.50 mark. Buying on dips is advised targeting 91.90 level and 92.50 thereafter. Meanwhile, stiff higher resistance is observed at 92.50 while strong lower support is placed at 89.55 mark.

Weekly Economic Calendar

Currency.	Imp.	Event	Forecast	Previous
		Monday, November 27th, 2023		
US	High	Building Permits	1.498M(Actual)	1.471M
US	High	New Home Sales (Oct)	679K(Actual)	759K
		Tuesday, November 28th, 2023		
JPY	High	BoJ Core CPI (YoY)	3.00%(Actual)	3.40%
US	High	CB Consumer Confidence (Nov)	101.00	102.60
US	High	Fed Waller Speaks	-	-
		Wednesday, November 29th, 2023		
EU	High	German CPI (MoM) (Nov)	-0.2%	0.00%
US	High	GDP (QoQ) (Q3)	4.90%	2.10%
US	High	Goods Trade Balance (Oct)	-86.70B	-85.78B
US	Low	Crude Oil Inventories	-	8.701M
US	Low	Natural Gas Storage	-	-7B
		Thursday, November 30th, 2023		
CNY	High	Manufacturing PMI (Nov)	49.6	49.5
CNY	High	Non-Manufacturing PMI (Nov)	51.1	50.6
EU	High	Core CPI (YoY)	3.90%	4.20%
EU	High	CPI (YoY) (Nov)	2.80%	2.90%
EU	High	Unemployment Rate (Oct)	6.50%	6.50%
IN	High	GDP Quarterly (YoY) (Q2)	-	7.80%
US	High	Core PCE Price Index (YoY) (Oct)	3.50%	3.70%
US	High	Initial Jobless Claims	218K	209K
		Friday, December 1st, 2023		
CNY	High	Caixin Manufacturing PMI (Nov)	49.3	49.5
INR	High	S&P Global India Manufacturing PMI (Nov)	-	55.5
EU	High	HCOB Eurozone Manufacturing PMI (Nov)	43.8	43.8
UK	High	S&P Global/CIPS UK Manufacturing PMI (Nov)	46.6	46.7
IN	High	FX Reserves, USD	-	595.40B
US	High	S&P Global US Manufacturing PMI (Nov)	49.9	50
US	High	ISM Manufacturing PMI (Nov)	47.6	46.7
US	High	Fed Chair Powell Speaks	-	-

Amit Sajeja
Sr. Technical Analyst -Currency

Gaurang Somaiya
Analyst-Currency

Currency Advisory Desk - +91 22 3958 3600 currencyresearch@motilaloswal.com

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Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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