

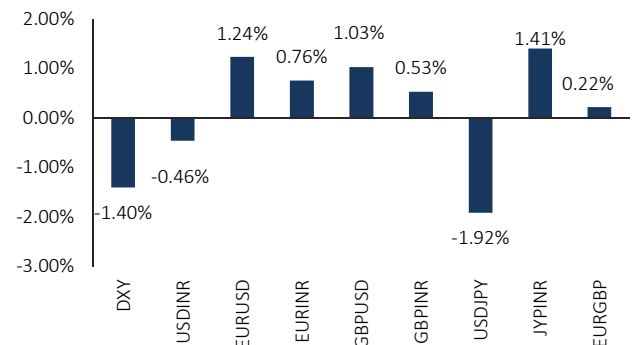
Monday, December 18, 2023

Market Outlook:

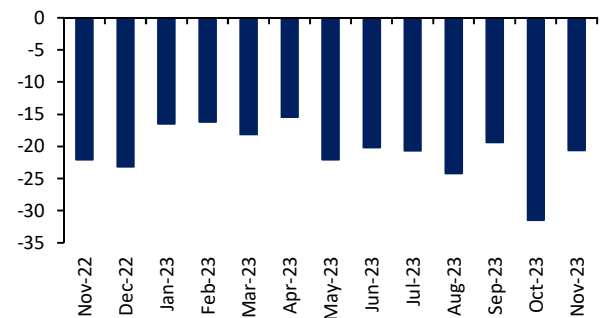
Rupee rose to the highest level in a month following suspected dollar inflow and lower trade deficit number in November. Data showed deficit narrowed \$20.58 billion in November as compared to \$31.46 billion in the previous month. This fiscal, India's merchandise exports stood at \$278.80 billion, down 6.51% annually, while merchandise imports stood at \$445.15 billion, down 8.67% annually. On the other hand, India's inflation grew 5.55% in November as compared to 4.87% in the previous month following an uptick in food inflation. The RBI in its December monetary policy statement unveiled last week did anticipate an increase in vegetable prices that could impact CPI number. Industrial production rose 11.7% in October from 6.2% in September, aided by a favourable base, and a rise in manufacturing output amidst festive demand. Reaction on the rupee remained muted as both the numbers were in line with market estimates.

This week, market participants will be keeping an eye on the RBI meeting minutes and expectation is that the comments will be hawkish and that could influence the rupee. On the global front, a few important economic numbers will be important to watch along with the Bank of Japan policy statement. We expect that for the rupee active intervention by the RBI could restrict overall volatility for the currency. We expect the USDINR (Spot) to trade sideways with a lower bias and quote in range of 82.60 and 83.40.

Major Global Currencies % change for the week

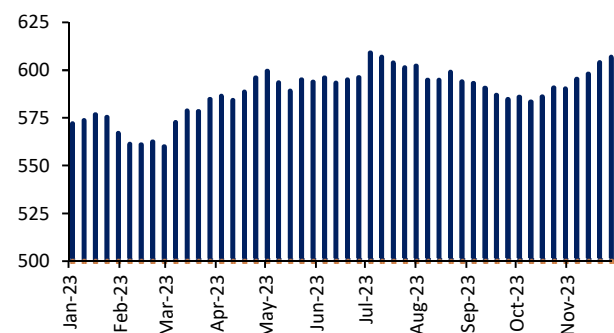


India's trade deficit



Source: Reuters

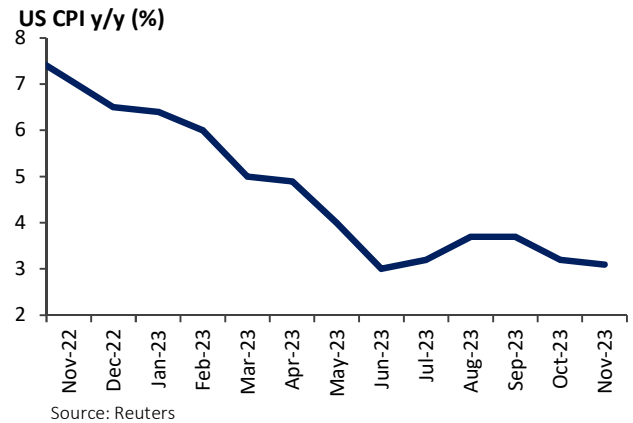
Weekly Forex Reserves (\$) (bn)



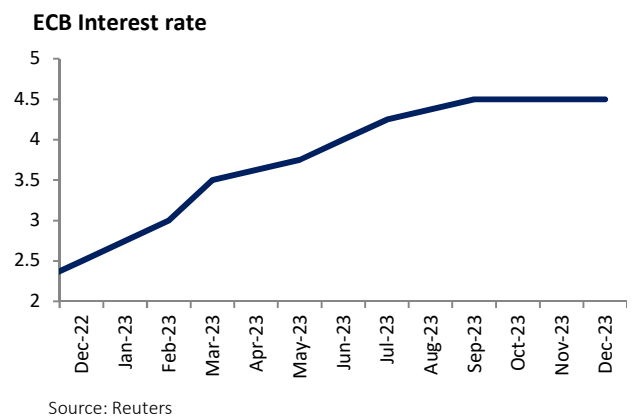
Source: Reuters

Global Currencies

Dollar was weighed down after the Federal Reserve held rates unchanged and set the table for multiple cuts to come in 2024 and beyond. Dot plot showed that most officials expected rates would end next year at 4.5% to 4.75%. Officials expect rates to fall even lower in 2025, with most officials forecasting they would end up between 3.5% and 3.75%. Dollar Index fell sharply and the benchmark 10-year Treasury yield dropped below 4% for the first time since August. Fed Chairman reiterated that the central bank was committed to proceeding “carefully” with future rate decisions given expectations that economic growth would cool and there had been “real progress” on beating back inflation. Weakness in the greenback extended even as inflation in the US fell in November to 3.1% as compared to 3.2% in the previous month. This week, from the US, final GDP, core PCE index and consumer confidence will be important to watch. We expect the dollar index to trade with a negative bias and quote in the range of 101.50 and 103.20.



Euro and pound gained sharply after the Fed decided to hold rates and maintained a dovish stance at its last meeting of the year. Both the currencies were less influenced by the ECB and the BoE policy statement. Euro and pound both continued to gain after the ECB and the BoE held rates unchanged. The ECB signalled an early end to its last remaining bond purchase scheme. The ECB is likely to continue to follow a data-dependent approach to determining the appropriate level and duration of restriction. Reaction on the euro was positive after the release of policy announcement. On the other hand, the BoE reiterated that the monetary policy is likely to need to be restrictive for an "extended period of time." BoE's policy stance assumes a slow fall in interest rates to 4.25% in three years' time. This week, from the EZ, final CPI will be the only important data to watch. On the other hand, from the UK, CPI and retail sales will be influencing the currency. We expect the both Euro and pound to trade with a positive bias.



Japanese Yen strengthened for the fifth successive week and extend gains together with other major crosses following broad weakness in the Dollar Index. Market participants are cautious ahead of the Bank of Japan policy statement, wherein the central bank is expected to be hawkish and that could extend gains for the safe haven currency. We expect the USDJPY pair to trade with a negative bias and quote in the range of 140.80 and 143.80.

Technical Outlook:

DXY

On the weekly chart, the Dollar Index has created a bearish candle that has broken to the downside. The index eventually managed to close lower by about 1.73% at 102.20 mark. The 14-period Relative Strength Index (RSI) currently stands around 41, positioned below the midpoint, signalling market weakness. Looking ahead, short-term bias remains negative and a test of recent low around 101.50 followed by 100.40 level looks possible going forward whereas immediate resistance is seen at 104.70.



USDINR

USDINR traded in a relatively broader range for the whole of last week between 82.95 and 83.45. The pair eventually closed towards the lower end of the range near 83.00 mark - down by about 0.50% for the period. Looking ahead, as it has given a consolidation range breakdown resistance will now be placed at 83.25 while strong support remains at 82.60 level. We expect the pair to trade with a negative bias unless 83.25 is held with a view to sell on rallies.



EURINR

EURINR traded in a wider range as it closed the last week around 91.05 mark. Looking ahead, short-term bias could remain neutral unless 90.50 is held and break below this level could take it lower towards 89.80-89.55. Resistance now could be capped at 91.40 and 92.50. Any sustenance below 90.50 is likely to test 89.55 on the lower side. However, if it remains above 90.50 then we expect it to trade in a broader range.



GBPINR

GBPINR traded in a broader range last week and closed around 105.20 mark and as long as it is staying above 105 there is possibility of range bound price action. This week, we expect the pair to take support around 105 and a sustained move below the same could take the pair lower towards 104.40, while 106.30 on the higher side could act as an important resistance.



Weekly Economic Calendar

Currency.	Imp.	Event	Forecast	Previous
Monday, December 18th, 2023				
-	-	-	-	-
Tuesday, December 19th, 2023				
JPY	High	BoJ Interest Rate Decision	-0.10%	-0.10%
EU	High	CPI (YoY) (Nov)	2.40%	2.40%
US	High	Building Permits (Nov)	1.470M	1.498M
Wednesday, December 20th, 2023				
UK	High	CPI (YoY) (Nov)	4.4%	4.60%
US	High	CB Consumer Confidence (Dec)	103.8	102
US	High	Existing Home Sales (Nov)	3.78M	3.79M
US	Low	Crude Oil Inventories	-	-4.259M
Thursday, December 21st, 2023				
US	High	GDP (QoQ) (Q3)	5.20%	5.20%
US	High	Initial Jobless Claims	-	202K
US	High	Philadelphia Fed Manufacturing Index (Dec)	-3	-5.9
US	Low	Natural Gas Storage	-	-55B
Friday, December 22nd, 2023				
JPY	High	National Core CPI (YoY) (Nov)	2.50%	2.90%
UK	High	GDP (YoY) (Q3)	0.60%	0.60%
UK	High	Retail Sales (MoM) (Nov)	0.4%	-0.30%
US	High	Core Durable Goods Orders (MoM) (Nov)	0.2%	0.00%
US	High	Core PCE Price Index (YoY) (Nov)	3.4%	3.50%
US	High	Michigan Consumer Sentiment (Dec)	69.4	61.3
US	High	New Home Sales (Nov)	695K	679K

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