

# CURRENCY WEEKLY

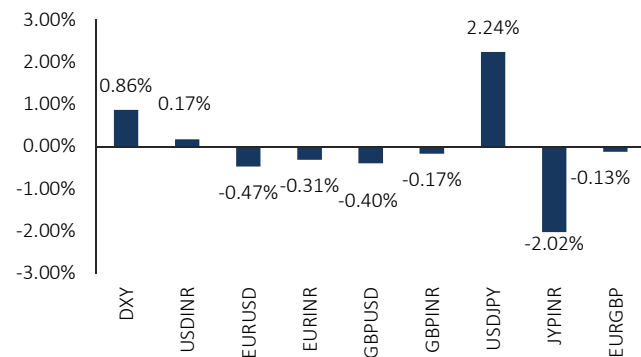
Tuesday, January 23, 2024

## Market Outlook:

Rupee extended its gains at the start of the week even after data released on the domestic front showed inflation rose 5.69% in December as compared to rise of 5.55% in the previous month. Growth in India's industrial output slumped to 2.4% in November from October's 16-month high of 11.6%. Gains for the currency was restricted following suspected RBI intervention and strength in the dollar against its major crosses. Global ratings agency Fitch affirmed India's long-term foreign currency issuer default ratings at 'BBB-' with a stable outlook, but flagged that the country's weak public finances were the "largest constraint" to the rating. The dollar strengthened against its major crosses and US treasuries rose above the 4% mark after a statement from one of the Fed officials, who outlined that the central bank would likely cut rates at a slower pace than markets are anticipating. The greenback gained also after retail sales in the US in November continued to grow. Data showed retail sales increased 0.6% for the month, buoyed by a pickup in clothing and accessory stores as well as online non-store businesses. The results were better than estimates of 0.4% growth.

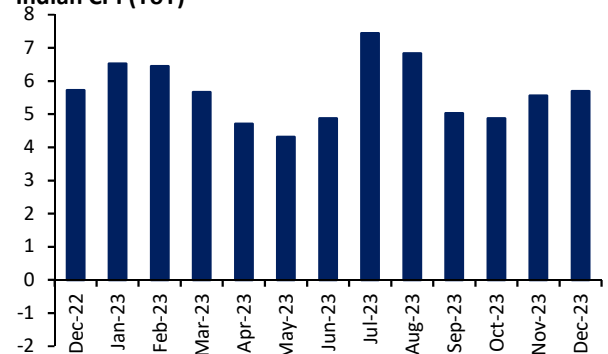
Market participants wait for more updates from China as some sources suggest that the PBoC is looking to consider issuing debt under a special sovereign bond plan as Chinese authorities seek more money to finance intensifying efforts for shoring up the world's second-largest economy. Weakness in the Chinese Yuan also contributed to the fall in the rupee; data showed the Chinese economy in Q4 reported growth of 5.2% as compared to estimates of 5.3% growth. Dollar strengthened on trimming expectation over a rate cut as early as March.

Major Global Currencies % change for the week



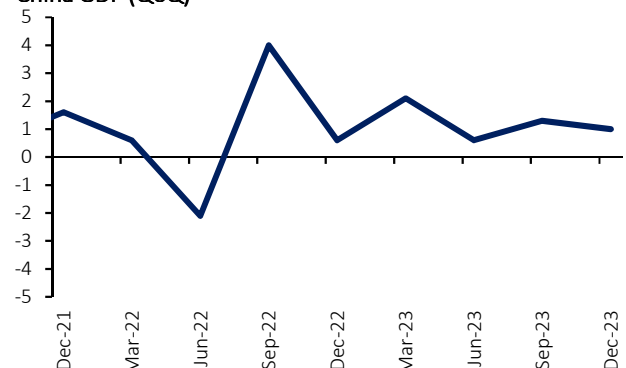
Source: Reuters

Indian CPI (YoY)



Source: Reuters

China GDP (QoQ)



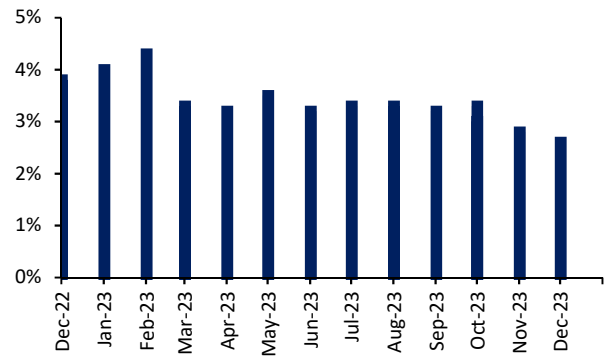
Source : Reuters

## Global Currencies

Japanese Yen weakened against the US dollar after the Bank of Japan maintained its ultra-easy monetary policy, as policy makers allow more time to determine whether wage increase will broaden enough keep inflation at its 2% target. Market participants are expecting that the BoJ could abolish its negative rates at its April meeting on confirmation of trend of meaningful wage increase. The central bank also marginally increased the core CPI inflation estimate for fiscal 2025 to 1.8% from 1.7% forecast earlier.

This week, on the domestic front, no major economic data is expected to be released and volatility could be curbed following RBI intervention. But at the same time, it's going to be a relatively shortened week following the Republic Day holiday on Friday. On the global front, from the US, preliminary manufacturing and services PMI, advance GDP and core PCE index number will be important to watch. Europe will also hold its central bank meeting and take interest rate decisions. Bank of Japan policy will be releasing its policy statement and volatility could elevate on back of comments from the BoJ governor. For the USDINR, we continue to maintain a sideways bias and unless the range of 82.80 and 83.50 is not taken out momentum could be lacking in the currency.

Japan CPI (YoY)



Source : Reuters

*“Chinese economy in Q4 reported growth of 5.2% as compared to estimates of 5.3% growth.”*

## Technical Outlook:

### Dollar Index

Over the past week, the Dollar Index (DXY) went up by about 0.80%, settling at 103.23 levels. According to the Ichimoku Cloud indicator and the 14-day RSI trend is positive. The price has consistently stayed above key lines, signaling an uptrend, and the RSI is above 50, pointing to continued bullish momentum. If the DXY continued to take support around 102.60 levels, we expect prices to head towards 103.60 and 104.40 levels eventually.



## Technical Outlook:

### USDINR

The USDINR traded between 82.80 and 83.20, and closed the week around 83.10 levels with a gain of 0.28%. In the last few weeks, it has been trading sideways, to confirm the trend the pair need to break out the range. On the upside, resistance could be capped in the zone of 83.25 and 83.35 and support is around 82.80 level. In the medium term for the next few weeks, the trend seems to be neutral so we would recommend to either sell near resistance zone or buy near supports of 82.80.



### GBPINR

On the daily chart, GBPINR has been following a channel pattern, respecting both the upper and lower trend lines consistently. The price has been forming lower highs and lower lows, indicating a downward trend. There's support in the zone of 105.00 – 104.60. The Ichimoku Cloud, a technical indicator, suggests a bearish trend as the price has been trading below the baseline. Short-term outlook remains negative unless price sustains below the immediate resistance of 106.15. A corrective rally is anticipated to extend lower, possibly testing support near 105.20 level. We advise to consider selling on rallies in the near term.



### EURINR

The EURINR pair is currently experiencing a mild bearish trend and is trading below its significant 21-Day Exponential Moving Average (EMA), positioned at approximately 90.95. Additionally, The Ichimoku Cloud indicator reinforces this negative momentum, indicating that the price has consistently traded below both the conversion and base lines, confirming a bearish trend. The 14-day Relative Strength Index (RSI) is positioned below the 50 level, thereby supporting the bearish sentiment. Major support is seen around 90 levels, while it is expected to face resistance near 90.80 levels. Selling on the rise is advised for the near term.



## Weekly Economic Calendar

Currency.	Imp.	Event	Forecast	Previous
<b>Tuesday, January 23rd, 2023</b>				
EU	High	Consumer Confidence (Jan)	-14.5	-15
<b>Wednesday, January 24th, 2023</b>				
EU	High	HCOB Eurozone Manufacturing PMI (Jan)	44.8	44.4
EU	High	HCOB Eurozone Services PMI (Jan)	49	48.8
UK	High	S&P Global/CIPS UK Manufacturing PMI	46.7	46.2
UK	High	S&P Global/CIPS UK Services PMI	53.5	53.4
US	High	S&P Global US Manufacturing PMI (Jan)	48	47.9
US	High	S&P Global US Services PMI (Jan)	51	51.4
US	High	Crude Oil Inventories	-	-2.492M
<b>Thursday, January 25th, 2023</b>				
EU	High	ECB Interest Rate Decision (Jan)	4.50%	4.50%
US	High	Building Permits	1.495M	1.467M
US	High	Core Durable Goods Orders (MoM) (Dec)	0.2%	0.50%
US	High	GDP (QoQ) (Q4)	1.80%	4.90%
US	High	Initial Jobless Claims	200K	187K
EU	High	ECB Press Conference	-	-
US	High	New Home Sales (Dec)	650K	590K
US	High	Natural Gas Storage	-	-154B
<b>Friday, January 26th, 2023</b>				
IN	High	India - Republic Day Holiday	2.30%	2.50%
IN	High	FX Reserves, USD	-	618.94B
US	High	Core PCE Price Index (MoM) (Dec)	0.20%	0.10%
US	High	Pending Home Sales (MoM) (Dec)	1.6%	0.00%

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