

CURRENCY WEEKLY

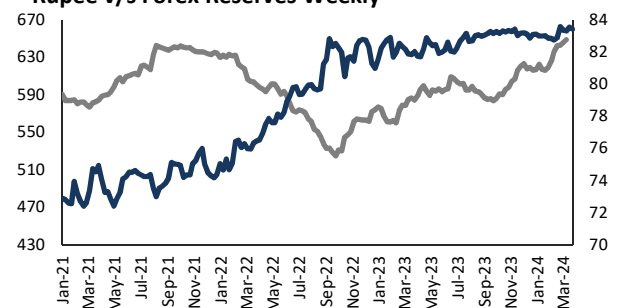
Monday, April 15, 2024

Market Outlook:

Rupee consolidated in a narrow range after the RBI's policy statement, wherein it held rates unchanged and maintained its policy stance of 'withdrawal of accommodation'. The central bank maintained its policy rate and stance considering India's strong economic growth and sticky inflation. Robust growth momentum means the MPC would be in no mood to cut rates sooner. In the last couple of sessions, the rupee fell near fresh lows as the dollar gained strength against its major crosses and also as geopolitical tensions in the Middle East was on the rise. Latest data released on the domestic front showed inflation rose to 4.89% against an expectation of 4.9%. On the other hand, industrial production grew 5.7% in February as compared to growth of 3.8% in the previous month, suggesting that growth remains consistent in the manufacturing sector.

This week, apart from the WPI number, market participants will also be keeping an eye on the trade balance data and widening deficit could keep the rupee weighed down against the US dollar. At the same time on the global front, retail sales and Fed member's speech will be important to watch. The dollar that has gained in the last few could get a boost if retail sales number beat estimates and also if the Fed members continue to remain hawkish in their commentary. We expect USDINR (spot) to quote sideways with a positive bias and quote in a range of 83.10-83.80.

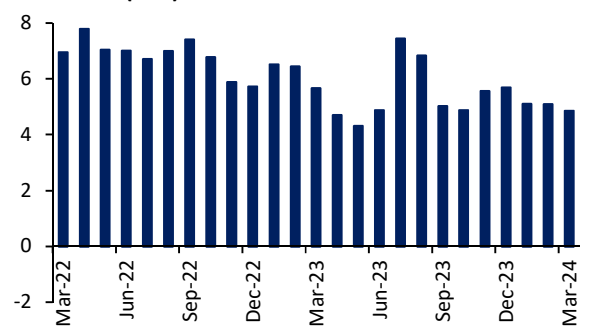
Rupee v/s Forex Reserves Weekly



Source: Reuters

India Forex Reserves INR (RHS)

Indian CPI (YoY)



Source: Reuters

Global Currencies

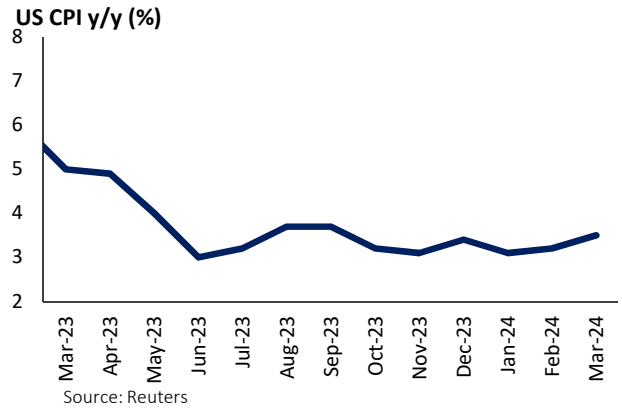
Dollar rose to the highest level since November'23 as Fed members continue to remain hawkish and also on concerns that inflation in the US remains sticky. Safe haven buying was also seen in the dollar following rising geopolitical tensions in the Middle East. The probability for a June rate cut decreased significantly, hinting to only two rate cuts this year. During the weekend, Iran launched explosive drones and missiles at Israel in retaliation for a suspected Israeli attack on its consulate in Syria on April 1, a first direct attack on Israeli territory that stoked fears of a wider regional conflict. Iran warned Israel and the US of a "much larger response" if there is any retaliation for its mass drone and missile attack on Israel. More updates will wait on the ongoing uncertainty in the Middle East and is likely to trigger volatility on the dollar and precious metals pack. This week, from the US, retail sales number will be keenly watched and better-than-expected data could extend gains for the dollar. We expect the USDINR(Spot) to trade with a positive bias and quote in the range of 104.80 and 106.50.

Japanese Yen fell to the lowest level in 34-years primarily as the dollar strengthened against its major crosses and also as rate cut expectation have trimmed by Bank of Japan. Japan's finance minister in his speech mentioned that authorities are not just analysing recent weakness in Yen but also factors that are driving the current move in the safe haven currency. He added that while a weak yen brings some benefits and drawbacks to the economy, it can hurt consumers by pushing up inflation. This month, from Japan, BoJ policy statement will be important to watch but is likely to have less of an impact on the currency.

Technical Outlook:

Dollar Index

The Dollar Index (DXY) has displayed notable strength over the past week, rising by approximately 1.50% and settling near the 106.00 level. The Ichimoku Cloud indicator indicates a bullish sentiment as the price consistently maintaining a position above conversion and base line. Moreover, the 14-day Relative Strength Index (RSI) further support this bullish stance, as comfortably above the 60 levels, signaling sustained upward momentum. In the short term, things are looking positive. If it keeps going up, it might face a resistance around 106.55, and if it breaks that, it could go even higher to 108.20 in the medium term. On the downside, support is expected around 104.70 and followed by 103.80 levels.



USDINR

The USDINR currency pair has exhibited a period of sideways movement, trading within a narrow range between 83.15 and 83.60, with the closing price near 83.50 levels. The Ichimoku Cloud indicator indicates a bullish trend, with the price is trading above the base line, situated around 83.15 level. In terms of short-term outlook, the sentiment remains positive. It's advisable to consider buying on significant pullbacks towards the immediate support band, with targets set at 83.70-83.80, followed by the 84.10 level. On the downside, support levels are expected around 83.20, with further support around 83.05 levels.



GBPINR

GBPINR has given a breakdown of range on the daily chart. This coupled with lower highs and lows formation, suggests a shift to a downtrend. There's a resistance zone around 104.70 – 105.60. The Ichimoku Cloud, a technical indicator, suggests a bearish trend as the price has been trading below the conversion line. Looking forward, the short-term outlook remains negative unless the price manages to break above the immediate resistance of around 105.10. A corrective rally is anticipated to extend lower, possibly testing support near the 102.80 level. it's advised to consider selling on any upward movements in the near term.



EURINR

EURINR has given a breakdown of an Inverted cup & handle pattern on the daily chart. This coupled with lower highs and lows formation, suggests a shift to a downtrend. Additionally, The Ichimoku Cloud indicator reinforces this negative momentum, indicating that the price has consistently traded below the conversion and base lines. The 14-day Relative Strength Index (RSI) is positioned below the 50 level, supporting the bearish sentiment. Major support is seen around 87.90 and followed by 87.10 levels, while resistance is expected near 89.80 levels. Selling on the rise is advised for the near term.



Weekly Economic Calendar

Currency.	Imp.	Event	Forecast	Previous
Monday, April 15th, 2024				
INR	High	WPI Inflation (YoY) (Mar)	0.51%	0.20%
INR	High	Trade Balance	-18.78B	-18.71B
USD	High	Core Retail Sales (MoM) (Mar)	0.40%	0.30%
USD	High	NY Empire State Manufacturing Index (Apr)	-9	-20.9
USD	High	Retail Sales (MoM) (Mar)	0.30%	0.60%
Tuesday, April 16th, 2024				
CNY	High	GDP (YoY) (Q1)	-	5.20%
GBP	High	Average Earnings Index +Bonus (Feb)	-	5.60%
GBP	High	Claimant Count Change (Mar)	-	16.8K
GBP	High	Unemployment Rate (Feb)	-	3.90%
USD	High	Building Permits (Mar)	1.514M	1.524M
USD	High	Housing Starts (Mar)	1.480M	1.521M
Wednesday, April 17th, 2024				
GBP	High	CPI (YoY) (Mar)	-	3.40%
EUR	High	CPI (YoY) (Mar)	2.40%	2.60%
USD	High	Crude Oil Inventories	-	5.841M
GBP	High	BoE Gov Bailey Speaks	-	-
Thursday, April 18th, 2024				
USD	High	Initial Jobless Claims	-	211K
USD	High	Philadelphia Fed Manufacturing Index (Apr)	-	3.2
USD	High	Existing Home Sales (Mar)	4.20M	4.38M
USD	High	Natural Gas Storage	-	24B
Friday, April 19th, 2024				
JPY	High	National Core CPI (YoY) (Mar)	-	2.80%
GBP	High	Retail Sales (MoM) (Mar)	-	0.00%
INR	High	FX Reserves, USD	-	-
INR	High	RBI MPC Meeting Minutes	-	-

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