

CURRENCY WEEKLY

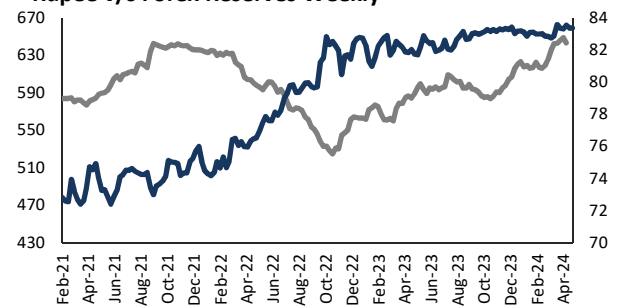
Monday, April 22, 2024

Market Outlook:

Rupee continued to consolidate in a narrow range even after geopolitical tension continue to haunt most market participants and as dollar gained strength following safe-haven demand. Dollar Index secured weekly gains, as the US economy exhibits robust growth with persistent inflation, which made the Fed stick to a more hawkish tone, further supporting the greenback in a risk-averse market due to ongoing Middle East tensions. On the domestic front, RBI meeting minutes were released and showed that the policymakers would continue to be disinflationary to ensure anchoring of inflation target and fuller transmission. On a few future indicators, the RBI said in its statement that unpredictable supply side shocks from adverse climate events, its impact on agricultural production and also as geo-political tension and its spill-over to commodity markets could add to uncertainties to the overall outlook.

This week, on the domestic front, no major economic data is expected to be released but the ongoing election in India is likely to influence the overall sentiment of the market. Dollar that has been slowly and steadily gaining strength could keep the rupee weighed down. From the US, preliminary manufacturing and services PMI data will be important to watch. Apart from preliminary data, advance GDP will be a key data to gauge a view for the dollar. We expect the USDINR(Spot) to trade sideways with a positive bias and quote in the range of 83.20 and 83.80

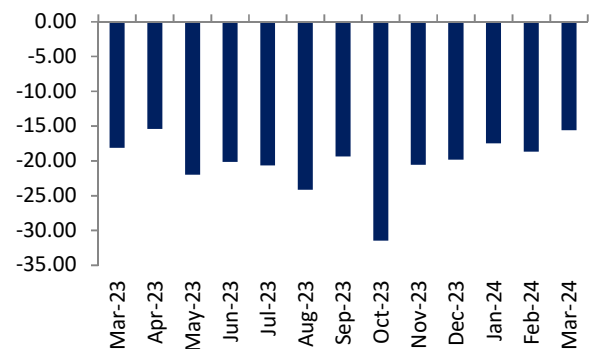
Rupee v/s Forex Reserves Weekly



Source: Reuters

India Forex Reserves INR (RHS)

India Trade Balance(\$bln)



Source: Reuters

Global Currencies

Dollar in the last few sessions is stuck in the range of 105 and 106.20 and buying is seen at lower levels following better-than-expected economic numbers from the US and safe haven buying as geopolitical tensions in the Middle East remains elevated. Last week, data released from the US showed retail sales growth in March remained robust. Post the release of the economic data, hawkish statement from the Fed chairman lifted the dollar. The Fed Chair hinted towards delayed interest rate cut after a series of high inflation data. This week, from the US, preliminary manufacturing and services data and advance GDP will be key to gauge a view; better-than-expected data could extend gains for the greenback. But safe haven buying following escalating geopolitical tensions will keep the dollar supported. We expect the Dollar Index to trade with a positive bias and quote in the range of 105.20 and 106.80.

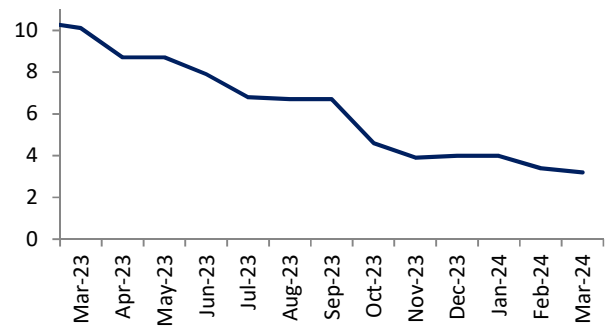
In case of other major crosses, Euro and Pound were weighed down but the latter was weaker as compared to the former. Latest data released from the UK, showed retail sales witnessed no growth in March as compared to estimates of 0.3% growth. Inflation in the UK too rose marginally to 3.2%, suggesting that rate cuts announcement from the BoE could be delayed. This week, from the Euro zone and the UK, preliminary manufacturing and services will be the only important data to watch for. Japanese Yen remained under pressure and fell to the lowest level since June'90 despite alert signals from the BoJ over active intervention in the currency. This week, Bank of Japan will release its policy statement and expectation is that the central bank could keep policy rates unchanged, but commentary could trigger marginal volatility for the safe haven currency.

Technical Outlook:

Dollar Index

Over the past week, the Dollar Index (DXY) went up by about 0.10%, settling at 104.10 levels. 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 50 levels, signaling sustained upward momentum. In the short term, things are looks 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 107.60 in the medium term. On the downside, support is expected around 105.10 and followed by 104.20 levels.

UK's CPI (%)



Source: Reuters



USDINR

The USDINR currency pair has exhibited a period of sideways movement, trading within a narrow range between 83.30 and 83.70, with the closing price near 83.35 levels. The Ichimoku Cloud indicator indicates a bullish trend, with the price is trading above the base line, situated around 83.25 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 83.70-83.90, followed by the 84.10 level. On the downside, support levels are expected around 83.20, with further support around 83.00 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 104.50 – 105.30. 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 104.60. A corrective rally is anticipated to extend lower, possibly testing support near the 101.50 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 87.50 levels, while resistance is expected near 89.85 levels. Selling on the rise is advised for the near term.



Weekly Economic Calendar

Currency.	Imp.	Event	Forecast	Previous
Tuesday, April 23rd , 2024				
INR	High	HSBC India Manufacturing PMI	-	59.1
INR	High	HSBC India Services PMI	-	61.2
EUR	High	HCOB Eurozone Manufacturing PMI (Apr)	46.5	46.1
EUR	High	HCOB Eurozone Services PMI (Apr)	51.8	51.5
GBP	High	S&P Global/CIPS UK Manufacturing PMI	50.3	50.3
GBP	High	S&P Global/CIPS UK Services PMI	53	53.1
USD	High	Building Permits	1.458M	1.524M
USD	High	S&P Global US Manufacturing PMI (Apr)	52	51.9
USD	High	New Home Sales (MoM) (Mar)	-	-0.30%
USD	High	New Home Sales (Mar)	668K	662K
INR	High	HSBC India Manufacturing PMI	-	59.1
INR	High	HSBC India Services PMI	-	61.2
Wednesday, April 24th , 2024				
USD	High	Core Durable Goods Orders (MoM) (Mar)	0.30%	0.30%
USD	High	Crude Oil Inventories	1.700M	2.735M
Thursday, April 25th , 2024				
USD	High	GDP (QoQ) (Q1)	2.50%	3.40%
USD	High	Goods Trade Balance (Mar)	-91.20B	-91.84B
USD	High	Initial Jobless Claims	215K	212K
USD	High	Wholesale Inventories (MoM)	0.20%	0.50%
USD	High	Pending Home Sales (MoM) (Mar)	0.90%	1.60%
USD	High	Natural Gas Storage	-	50B
Friday, April 26^h, 2024				
JPY	High	BoJ Interest Rate Decision	-	0.10%
JPY	High	BoJ Press Conference	-	-
INR	High	FX Reserves, USD	-	643.16B
USD	High	Core PCE Price Index (MoM) (Mar)	0.30%	0.30%
USD	High	Core PCE Price Index (YoY) (Mar)	2.60%	2.80%
USD	High	Michigan Consumer Sentiment (Apr)	77.8	79.4
JPY	High	BoJ Interest Rate Decision	-	0.10%

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