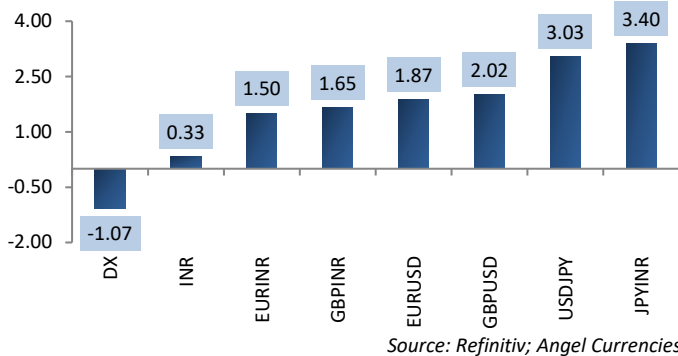


Currencies Monthly Performance - Jul'23 (%)



Global Highlights

- FPI buying hits 10-month high of Rs 47,148 crore in June
- Yen drops to new 15-year low vs euro after BOJ rate decision
- Japan's services activity remains in expansion territory

Monthly Performance - Currencies

Indian Rupee

The overall trend of the Rupee in Jun'23 was mostly strong on account of huge influx of funds into the system coupled with persistent intervention by the RBI in the spot market. In Jun'23 RBI Policy, the committee kept the Repo Rate unchanged at 6.50% and maintained the policy stance at 'withdrawal of accommodation while supporting growth'. In addition, the positive sentiments in Asian markets after a rally in stocks linked to artificial intelligence drove US benchmarks higher, while expectations for more stimulus in China saw commodities gain. Also, risk appetite and lower US bond yields weighed on the DXY which in turn benefitted Rupee. US Retail Sales see an unexpected rise in May, bucking predictions, but the labor market shows signs of easing amid higher jobless claims.

Outlook - USDINR spot (CMP: 82.12) shall surge towards 83.50 levels in Jul'23.

Euro

In Jun'23, both EURUSD and EURINR surged by more than 1 percent after the ECB lifted rates by 25bps, as expected, to 3.5%, the highest in 22 years. There were hawkish elements in the latest ECB press conference, the upwardly revised 2025 inflation forecasts. There were a few dovish elements too. President Lagarde clearly signaled a hike in July but deliberately avoided guiding expectations for September. On the contrary, one of the ECB policymakers Martin Kazaks said that he sees the central bank raising interest rates beyond the July meeting if inflation remains too high. ECB's Kazaks also defied the market bets on rate cuts in early 2024. On the other hand, the consumer confidence in the Eurozone improved for the second month in a row in May.

Outlook - EURINR spot (CMP: 89.32) is likely to trade higher towards 91-mark in Jul'23.

Sterling Pound

In Jun'23, both GBPUSD and GBPINR surged by more than 2 percent after the massive BoE rate hike which improved the market sentiments towards Pound currency. The BoE responded to the inflation data with a sharper than expected hike in interest rates to 5 percent and financial markets think they could hit 6.25 per cent early next year. Fears of what that could mean for mortgage holders prompted Chancellor Jeremy Hunt to summon bank bosses where they agreed to offer more flexibility to borrowers. Another reason for the surge is that expectations continue to build that the Bank of England may have to hike more aggressively in the coming months to temper inflation. UK inflation is seen falling over the coming months and may make current market predictions of a further 100 bps of UK interest rate hikes look a little hawkish.

Outlook - GBPINR spot (CMP: 104.36) is likely to trade higher towards 106-mark in Jul'23.

Japanese Yen

In Jun'23, the Japanese Yen weakened sharply by more than 3 percent. Apparently, the BoJ has kept the interest rates at rock-bottom levels while the Federal Reserve and other central banks are conducting outsized rate hikes. The US Feds have hiked rates around 10 times since 2022 alone which has made the dollar denominated assets more attractive for investors. Global investors usually flock to a country's currency where a central bank is raising rates, in the hope of a higher yield on their investments, thus shunning currencies (like the yen) where rates are still very low. The US treasury yields have climbed on expectations of further rate hikes while the BOJ has kept a 0.25% cap on Japan's 10-year government bond yield.

Outlook - JPYINR spot (CMP: 56.77) is likely to trade lower towards 55-mark in Jul'23.

Monthly Trend Deciding levels

| CURRENCY | S1 | S2 | R1 | R2 |
|---------------|--------|--------|--------|--------|
| USDINR Jul'23 | 81.30 | 80.70 | 83.20 | 84.00 |
| EURINR Jul'23 | 87.40 | 86.10 | 90.00 | 92.50 |
| GBPINR Jul'23 | 101.90 | 100.20 | 105.70 | 107.50 |
| JPYINR Jul'23 | 56.00 | 53.10 | 59.50 | 62.80 |

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