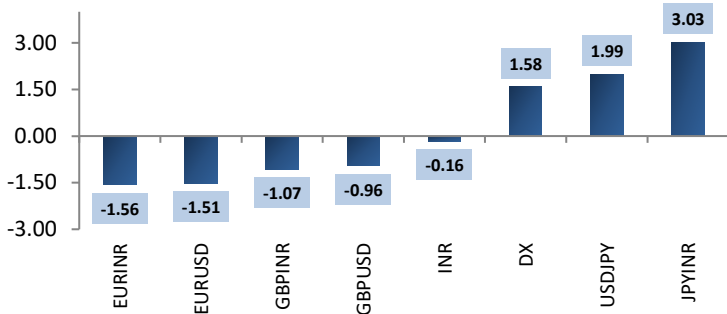


### Currencies Monthly Performance - Aug'23



Source: Refinitiv; Angel Currencies

### Global Highlights

- China enters deflationary territory for the first time since Feb'21
- Moody's cut credit ratings of several small to mid-sized US banks
- RBI's rate-setting panel starts 3-day deliberations on monetary policy

### Monthly Performance - Currencies

#### Indian Rupee

The first half of Aug 2023 saw Rupee appreciating towards 82.30 levels on account of huge influx of IPO related funds into the system. The Reserve Bank of India was seen selling dollars to prevent the rupee from weakening below what is regarded a highly important level. Also, in its recent policy the RBI paused on the policy rate for the third consecutive time in its bi-monthly monetary policy meeting. It also maintained status quo on the policy stance— 'to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth', although this was with a 5:1 vote, unlike the unanimous decision on policy rates. Towards the end, the local unit weakened on account of opportunistic dollar buying by importers and banks at lower levels. Apart from this, India's retail inflation in July'23 soared to 7.44% from Q1's average of 4.6% (April to June), exceeding the monthly consensus of 6.4%.

**Outlook** - USDINR spot (CMP: 83.17) shall surge towards 83.70 levels in Sep'23.

#### Euro

In Aug'23, both EURUSD and EURINR plunged by more than 1.5 percent due to surge in DXY as a resilient domestic economy bolstered expectations interest rates would remain higher for longer. Despite net short dollar positions hitting their highest since March 2021, the greenback has gained nearly 3% from its lowest in more than a year in Jul'23 amid receding expectations for Federal Reserve interest rate cuts. Renewed strength in the dollar coincided with a dent in the euro's stellar run over the past few weeks - it is still up roughly 2.4% against the dollar for the year - on firming expectations the European Central Bank is done hiking rates. With regards to datasets, host of disappointing datasets added to Euro's woes further. Germany reported lower than-expected June exports and imports, with imports dropping 3.4% and exports rising just 0.1%, with annual rates in negative territory while Eurozone Producer Price Index (PPI) for June dropped to the lowest level in three years with -3.4% y/y figures, versus -3.1% expected and - 1.6% prior (revised). Moreover, the German Producer Price Index (PPI) for July dropped to -1.1% m/m and - 6.0% y/y from -0.3% prior and 0.1% y/y respectively priors. German

Bundesbank monthly report showed inflation could persist above the central banks targets for longer while growth is foreseen seen largely flat in Q3.

**Outlook** - EURINR spot (CMP: 89.10) is likely to trade lower towards 87.10-mark in Sep'23.

#### Sterling Pound

In Aug'23, both GBPUSD and GBPINR traded lower by 0.96 percent and 1.07 percent respectively owing to higher DXY. The latest COT data, released by the CFTC, recorded a small decline in the number of long, non-commercial Sterling positions to 59,000 contracts from 63,700 the previous week. In terms of contracts, this was still close to the largest long position for 14 years. The Bank of England raised its key rate by 25 bps. The BoE's vote split was 6-3, with two members expecting a 50-bps hike, while Swati Dhingra voted to keep rates unchanged. The UK central bank's move was in line with market expectations after a surprise half-point increase in June. Still, signs of debate between policymakers prompted traders to pare bets on the pace of further hikes, with markets priced in for rates peaking below 5.75% in February.

**Outlook** - GBPINR spot (CMP: 103.75) is likely to trade lower towards 101-mark in Sep'23.

#### Japanese Yen

In Aug'23, the Japanese Yen weakened sharply. 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: 56.39) is likely to trade lower towards 55-mark in Sep'23.

### Monthly Trend Deciding levels

CURRENCY	S1	S2	R1	R2
USDINR Sep'23	82.20	81.60	83.50	84.00
EURINR Sep'23	89.00	87.10	92.50	95.50
GBPINR Sep'23	103,40	101.50	106.20	108.40
JPYINR Sep'23	56.00	53.10	59.50	62.80

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