

## PCG Currency Update

### USDINR last week

**Indian rupee spot appreciated by 58 paisa and closed at 79.26 vs previous week's close of 79.85**

- ❑ Rupee witnessed the second consecutive weekly gain in nine, bolstered by a decline in dollar index, weakness in crude oil prices and broad risk on sentiments in the market. Slowdown in foreign outflows from domestic securities also aided the sentiments. FPI Net investments saw Rs.1,971 crores of inflows in July, after 9 months of outflows.
- ❑ Both Nifty and Sensex extended the gains for the second week in a row and rose more than 2.5%, trading at a 3-month high amid strong earnings results and hopes that the Federal Reserve could decelerate its tightening path.
- ❑ Meanwhile, India's indicative call rate climbed spiked to 5.25% in the previous week, which was the highest in over two years. Money market rates spiked as the central bank's recent currency interventions contributed to reduced liquidity in the banking system.
- ❑ India's foreign exchange reserves depleted by \$1.152 billion in the week ended 22<sup>nd</sup> July and stood at \$571.56 billion. Forex reserves declined by more than \$20 billion in last one month, as RBI continue to intervene in the spot market in-order to prop up the domestic currency which fell to record lows in July.
- ❑ **Dollar index declined to 105.9, down by 0.77%, against previous week's close of 106.7, as :**
  - ❑ Dollar index saw the second weekly decline in a row, as less hawkish comments from Fed Chair Jerome Powell post the Fed meeting coupled with technical recession in US improved the conviction that Fed might start cutting rates sooner than expected.
  - ❑ The American economy shrank an annualized 0.9% QoQ in Q2 2022, following a 1.6% drop in Q1. Personal consumption decelerated to 1% as tighter Fed monetary policy has weakened interest rate-sensitive sectors such as housing.
  - ❑ Powell said in the July meeting that everything will be data dependent and thus money markets are projecting peak Fed funds rate at 3.3% against 3.72% in June after weak economic data, which added to the selling pressure on the greenback.

Global Currencies w/w Change			
Currencies	Last	Abs Chg	% Chg
Dollar Index	105.9	-0.83	-0.77%
EUR Spot	1.022	0.00	0.07%
GBP Spot	1.2171	0.02	1.43%
JPY Spot	133.27	-2.85	-2.09%
US 10 Year	2.6487	-0.10	-0.10%

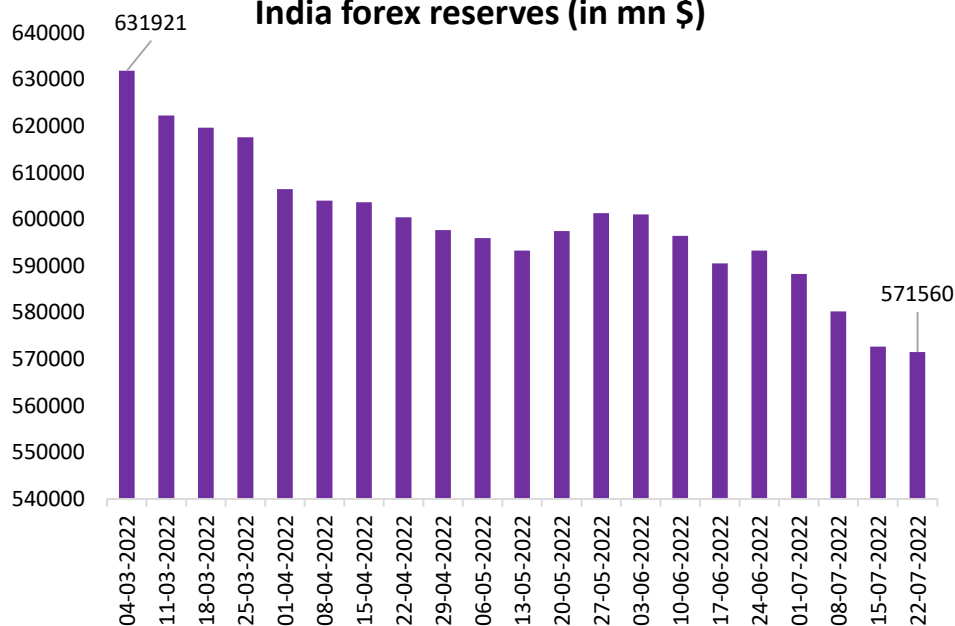
Domestic Currencies w/w Change			
Currencies	Last	Abs Chg	% Chg
Rupee spot	79.269	-0.58	-0.73%
USDINR	79.465	-0.48	-0.60%
EURINR	81.438	0.17	0.20%
GBPINR	96.76	1.23	1.28%
JPYINR	59.71	1.44	2.47%

### ❑ What lies ahead?

**Rupee spot (CMP: 79.2) might appreciate towards 78.8 levels for the week:**

- Further strengthening of Rupee could be seen owing to weakness in crude oil prices and broad risk on sentiments in the market amid a declining greenback. FII inflows into domestic securities have also lifted the sentiments. While global inflation continue to notch fresh record highs, domestic inflation eased in June.
- RBI meeting due on 5<sup>th</sup> August will be the major focus for the week, where the central bank is widely expected to hike interest rates by 35-50 basis points in order to rein in the domestic inflation, which is well above RBI's tolerance level.
- US Non farm Payrolls data due to Friday is also going to be very crucial. Analysts expect the economy to have added 250,000 jobs in July, moderating from June's pace of 372,000. Higher than expected data might improve the prospects of aggressive Fed and we might see bounce back in dollar index, else, the greenback could weaken further.
- High volatility is expected for the week amid a slew of economic data from US, UK and Eurozone. Several Fed official's speeches and PMI's are also due.

**India forex reserves (in mn \$)**



Source: Bloomberg

**Levels to watch out for  
(USDINR Aug'22 contract)  
CMP: 79.40**

<b>Immediate Support</b>	<b>79.00</b>	<b>Appreciation bias for the week</b>
<b>Major Support</b>	<b>78.80</b>	
<b>Immediate Resistance</b>	<b>79.85</b>	
<b>Major Resistance</b>	<b>80.20</b>	

**Technical Levels For the Week**

Currencies	Expiry	Close	Trend	S1	S2	S3	Pivot	R1	R2	R3
Dollar Index	-	105.903	▼	105.571	105.126	104.406	106.290	107.010	107.455	108.174
USDINR Spot	-	79.27	▼	79.16	78.99	78.70	79.45	79.73	79.91	80.20
USDINR	Aug	79.47	▼	79.36	79.16	78.84	79.68	80.00	80.20	80.52
EURINR	Aug	81.44	▼	81.15	80.87	80.43	81.60	82.04	82.32	82.77
GBPINR	Aug	96.76	▲	96.11	95.72	95.10	96.73	97.36	97.74	98.37
JPYINR	Aug	59.71	▲	58.83	58.43	57.80	59.47	60.10	60.50	61.14
EUR spot	-	1.022	▲	1.013	1.009	1.003	1.019	1.025	1.029	1.035
GBP Spot	-	1.091	▼	1.083	1.075	1.063	1.095	1.107	1.114	1.126
JPY Spot	-	133.270	▼	132.522	131.354	129.463	134.413	136.304	137.472	139.363

**Upcoming Key Economic Indicators (US)**

1 <sup>st</sup> August, 2022	ISM Manufacturing PMI	Higher than expectations positive for dollar
2 <sup>nd</sup> August, 2022	JOLTS Job openings	Higher than expectations positive for dollar
3 <sup>rd</sup> August, 2022	Durable goods orders	Lower than expectations negative for dollar
3 <sup>rd</sup> August, 2022	Factory orders	Higher than expectations positive for dollar
4 <sup>th</sup> August, 2022	Trade Balance	Lower than expectations positive for dollar
5 <sup>th</sup> August, 2022	Non farm Payrolls	Higher than expectations positive for dollar
5 <sup>th</sup> August, 2022	Unemployment rate	Lower than expectations positive for dollar



**Appendix**

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