

PCG Currency Update

USDINR last week

Indian rupee spot depreciated by 63 paisa and closed at 79.88 vs previous week's close of 79.25

- ❑ Rupee spot declined to a new record low of 79.92 in the previous week, amid continuous foreign outflows from the nation's equities and a stronger dollar spurred by expectations of aggressive rate hikes by the Federal Reserve.
- ❑ Indian Rupee continue to face pressure along with other emerging market currencies as money flow towards safe haven dollar amid rising conviction that Fed might hike rates very aggressively and tip US economy into a recession. Meanwhile, RBI's recent efforts to boost the dollar inflows into the economy, did little to limit the massive sell-off in the Rupee.
- ❑ On the economic data front, the annual inflation rate in India edged down to 7.01 percent in June of 2022 from 7.04 percent in the previous month, while, India's trade deficit was revised slightly higher to USD 26.18 billion in June 2022, compared to USD 9.60 billion a year earlier.
- ❑ FPI Net investments witnessed an outflow of more than Rs.2.36 trillion from domestic securities for the year 2022, amid narrowing interest rate differentials with US as Fed front-loads rate hikes. Meanwhile, India's foreign exchange reserves plunged by \$8 billion in the week ended 8th July to \$580.25 billion, the lowest in more than 15 months, according to RBI.
- ❑ **Dollar index rose to 108.06, up by 0.99%, against previous week's close of 107.01, as :**
 - ❑ The greenback skyrocketed to a fresh 20 year high of 109.29 in the previous week, after the annual inflation rate in the US accelerated to 9.1% in June 2022, boosted by rise in gasoline, fuel oil and electricity prices, which increased prospects of Fed moving to a very aggressive path in July meeting and hiking rates by 100 bps.
 - ❑ Meanwhile, San Francisco Federal Reserve President Mary Daly said a 1 percentage point interest-rate hike in July is in range of possibilities, if inflation expectations move up and consumer spending fails to slow down. Other Fed officials have also telegraphed a hawkish tone with broad consensus for 75 bps hike in July.
 - ❑ However, dollar index retreated from the highs on Friday, after the University of Michigan consumer expectations eased to 5.2%, which was a major trigger for Fed's 75 bps hike in the June meeting.

Global Currencies wow Change			
Currencies	Last	Abs Chg	% Chg
Dollar Index	108.06	1.06	0.99%
EUR Spot	1.008	-0.01	-1.03%
GBP Spot	1.1855	-0.02	-1.48%
JPY Spot	138.57	2.47	1.81%
US 10 Year	2.9152	-0.17	-0.17%

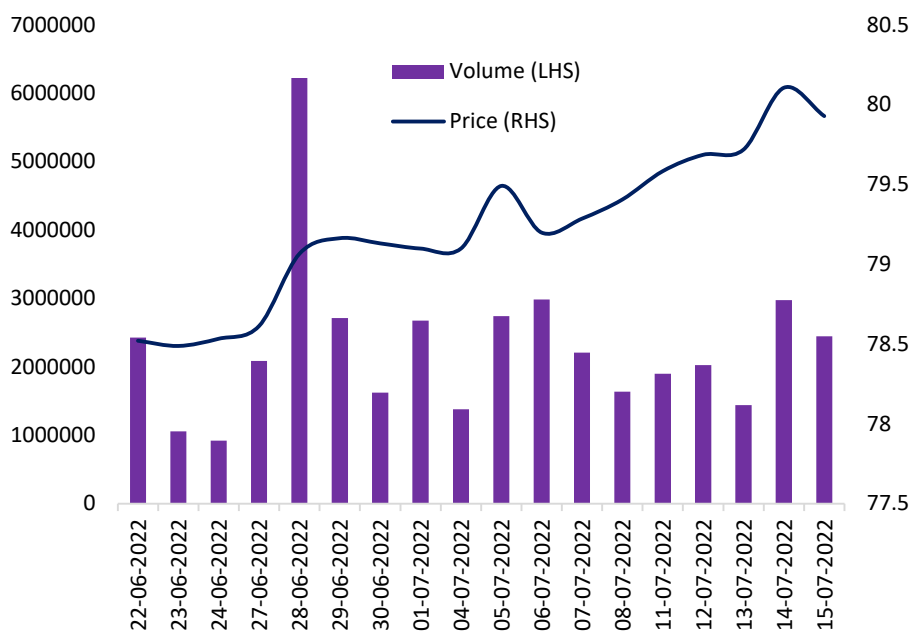
Domestic Currencies wow Change			
Currencies	Last	Abs Chg	% Chg
Rupee spot	79.88	0.63	0.79%
USDINR	79.928	0.52	0.66%
EURINR	80.455	-0.22	-0.27%
GBPINR	94.608	-0.63	-0.66%
JPYINR	57.675	-0.87	-1.48%

❑ What lies ahead?

Rupee spot (CMP: 79.90) might trade in the range of 79.4 – 80.25 with a depreciation bias:

- Indian Rupee continue to face pressure from persistent FII outflows, record high trade deficit and broad dollar strength, which is still hovering near 20 year highs. Fall in commodity prices are partially offset by sharp weakness in Rupee.
- European central bank meeting due this week will be very crucial. If the central bank choose to maintain its dovish stance by only a moderate hike of 25 bps, then we could see further weakness in Euro, which might boost dollar index. Along with that, resumption of Nord stream 1 supplies to Germany can also be closely watched, as it might adversely impact Eurozone economy.
- Fed hiked an aggregate 125 bps in May and June meeting, and is expected to hike at least 75 bps in July meeting, adding to 200 bps in 3 months. Meanwhile RBI raised rates by only 90 bps since May and next meeting is not due until August. Narrowing yield differentials with US might prompt further outflows from domestic currency.
- Tides will start turning in favor of dollar as we move closer towards Fed meeting, which is scheduled on 27th July.

NSE USDINR July 2022 Future



Source: Bloomberg

**Levels to watch out for
(USDINR July'22 contract)
CMP: 79.95**

Immediate Support	79.75	Range bound for the week
Major Support	78.55	
Immediate Resistance	80.05	
Major Resistance	80.20	

Technical Levels For the Week

Currencies	Expiry	Close	Trend	S1	S2	S3	Pivot	R1	R2	R3
Dollar Index	-	108.063	▼	107.185	106.625	105.718	108.092	108.999	109.559	110.466
USDINR Spot	-	79.88	▲	79.43	79.26	78.99	79.70	79.97	80.14	80.41
USDINR	Jul	79.93	▲	79.49	79.30	79.00	79.80	80.10	80.29	80.60
EURINR	Jul	80.46	▲	79.96	79.70	79.29	80.37	80.79	81.05	81.46
GBPINR	Jul	94.61	▼	94.28	94.01	93.56	94.73	95.18	95.46	95.91
JPYINR	Jul	57.68	▼	57.42	56.82	55.85	58.38	59.35	59.95	60.91
EUR spot	-	1.008	▲	0.998	0.993	0.984	1.007	1.016	1.022	1.030
GBP Spot	-	1.091	▼	1.083	1.075	1.063	1.095	1.107	1.114	1.126
JPY Spot	-	138.570	▲	136.634	135.816	134.490	137.960	139.286	140.104	141.430

Upcoming Key Economic Indicators (US)

19 th July, 2022	Housing starts	Higher than expectations positive for dollar
19 th July, 2022	Building Permits	Higher than expectations positive for dollar
20 th July, 2022	Existing Home sales	Lower than expectations negative for dollar
21 st July, 2022	Initial Jobless claims	Higher than expectations negative for dollar
22 nd July, 2022	S & P Manufacturing PMI	Lower than expectations negative for dollar
22 nd July, 2022	S & P Services PMI	Higher than expectations positive for dollar



Appendix

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Medium Term Wealth Creation	Medium	Medium	Medium
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