

6 June 2022

PCG Currency Update

USDINR last week

Indian rupee spot depreciated by 6 paise and closed at 77.63 vs previous week's close of 77.57.

- ❑ Rupee spot has been consolidating in the range of 77.4 – 77.8 since mid May, after Rupee plunged to a record low of 77.79, amid faster Fed rate hikes, persistent capital outflows and elevated crude oil prices. Still, expectations of rate hikes and interventions from India's central bank caps the downside in Rupee.
- ❑ Crude oil has been sustaining above \$115 per bbl in the past few days, which might lead to balance of payments swinging to a large deficit in the current fiscal year, if the rally sustains.
- ❑ Both the benchmark indices, Nifty and Sensex bounced back for the week, mimicking a bounce back in US equities, owing to dip buying. FPI Net investments witnessed an outflow of more than Rs.1.77 trillion for the year 2022, as expectations of faster Federal Reserve rate hikes ahead amplify capital outflows.
- ❑ On the economic data front, India's trade deficit widened to USD 23.3 billion in May 2022, the highest on record, from USD 6.5 billion in the same period last year, according to preliminary estimates.
- ❑ **Dollar index closed higher at 102.14, against previous week's close of 101.67.**
 - ❑ The greenback firmed up above the 102 mark after a better-than-expected US jobs report bolstered the Federal Reserve's aggressive stance against surging inflation. Data showed the US economy added 390,000 jobs in May, posting higher than expected and reinforcing bets of additional rate hikes going into the second half of the year.
 - ❑ Hawkish comments from Fed officials also aided the bounce back. Federal Reserve officials from both the hawkish and dovish wings of the US central bank confirmed their determination to raise interest rates, even as US economic growth showed weakness.
 - ❑ Federal Reserve Governor Christopher Waller said he wants to keep raising interest rates in half-percentage point steps until inflation is easing back toward the US central bank's goal.

Global Currencies w/w Change			
Currencies	Last	Abs Chg	% Chg
Dollar Index	102.14	0.47	0.46%
EUR Spot	1.0719	0.00	-0.15%
GBP Spot	1.2488	-0.01	-1.13%
JPY Spot	130.88	3.77	2.97%
US 10 Year	2.9332	0.20	0.20%

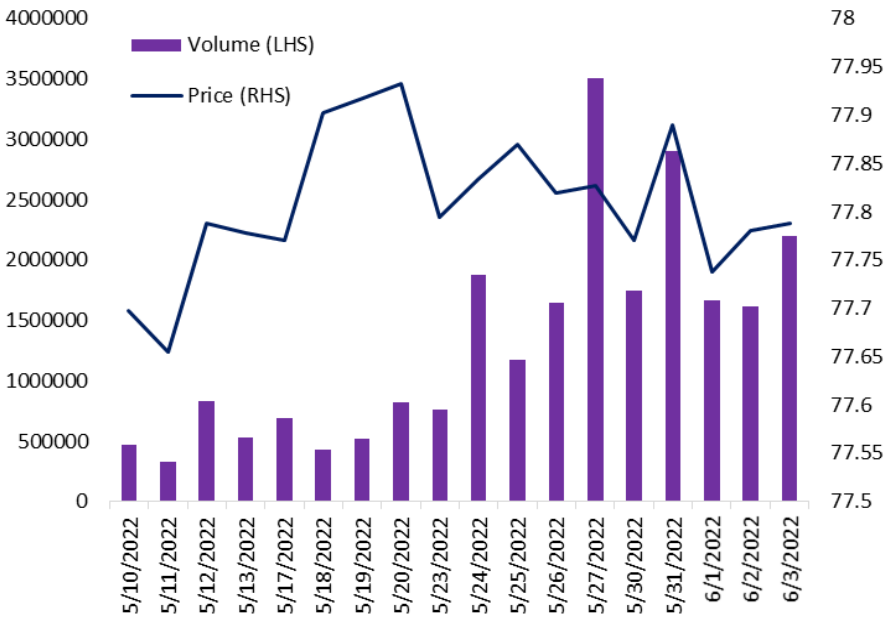
Domestic Currencies w/w Change			
Currencies	Last	Abs Chg	% Chg
Rupee spot	77.633	0.06	0.08%
USDINR	77.788	0.13	0.17%
EURINR	83.64	0.15	0.18%
GBPINR	97.765	-0.34	-0.35%
JPYINR	59.858	-1.35	-2.21%

❑ What lies ahead?

Rupee spot (CMP: 77.67) might appreciate towards 77.20 levels

- RBI meeting will be the major focus for the week (outcome on 8th June), where the central bank is expected to hike rates by 40 – 50 bps, in order to curb an eight year high inflation of 7.79%, well above RBI's upper target range. They might also revise the inflation forecasts higher. We might see some appreciation in Rupee ahead of the meeting.
- However, we believe Rupee might eventually follow fundamentals post the RBI meeting. Rising crude oil prices, widening trade deficit and FII outflows might weaken Rupee. Fed meeting in mid June might prompt sell off in equities and could amplify capital outflows, adding to the pressure. So, the dip in USDINR pair this week, can be used as a buying opportunity.
- US CPI Inflation on Friday is expected to come at 8.3% for May. Any higher print might boost dollar index on expectation of aggressive rate hikes going beyond July.
- ECB meeting is scheduled for 9th June. ECB policy markers are expected to be hawkish and indicate rate hikes by July.

NSE USDINR June 2022 Future



Source: Bloomberg

Levels to watch out for (USDINR June'22 contract) CMP: 77.83		
Immediate Support	77.40	Appreciation bias for the week
Major Support	77.00	
Immediate Resistance	78.30	
Major Resistance	78.60	

Technical Levels For the Week										
Currencies	Expiry	Close	Trend	S1	S2	S3	Pivot	R1	R2	R3
Dollar Index	-	102.140	▲	101.508	101.170	100.622	102.056	102.604	102.942	103.490
USDINR Spot	-	77.63	▲	77.50	77.45	77.35	77.60	77.69	77.75	77.84
USDINR	Jun	77.79	▲	77.68	77.61	77.50	77.79	77.89	77.96	78.07
EURINR	Jun	83.64	▲	83.13	82.89	82.51	83.50	83.88	84.12	84.49
GBPINR	Jun	97.77	▲	97.22	96.89	96.38	97.74	98.25	98.58	99.10
JPYINR	Jun	59.86	▼	59.17	58.62	57.73	60.06	60.96	61.51	62.40
EUR spot	-	1.072	▲	1.065	1.061	1.055	1.071	1.077	1.081	1.087
GBP Spot	-	1.091	▼	1.083	1.075	1.063	1.095	1.107	1.114	1.126
JPY Spot	-	130.880	▲	127.999	127.027	125.453	129.573	131.147	132.119	133.693

Upcoming Key Economic Indicators (US)		
7 th June, 2022	Trade balance	Higher than expected negative for dollar
8 th June, 2022	Wholesale Inventories	Higher than expected inventories negative for dollar
9 th June, 2022	Weekly Jobless claims	Lower than expected jobless rates positive for dollar
10 th June, 2022	CPI	Higher than expected inflation positive for dollar
10 th June, 2022	Consumer sentiment	Higher than expected sentiments positive for dollar



Appendix

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