

HDFC Securities Retail Research

Currency Insights Weekly

06 November 2023



Currency Movements

Name	03-Nov-23	27-Oct-23	Change	% Change
Spot USDINR	83.285	83.245	0.040	0.05%
DXY Index	105.021	106.559	-1.538	-1.44%
EURUSD	1.0731	1.0565	0.017	1.57%
GBPUSD	1.238	1.2122	0.026	2.13%
USDJPY	149.39	149.66	-0.270	-0.18%
USDCNH	7.2888	7.3334	-0.045	-0.61%
USDINR 1M FWD	83.21	83.43	-0.220	-0.26%
India 10 Yr. Yield	7.314	7.356	-0.042	-0.57%
US 10 Yr. Yield	4.5724	4.8346	-0.262	-5.42%

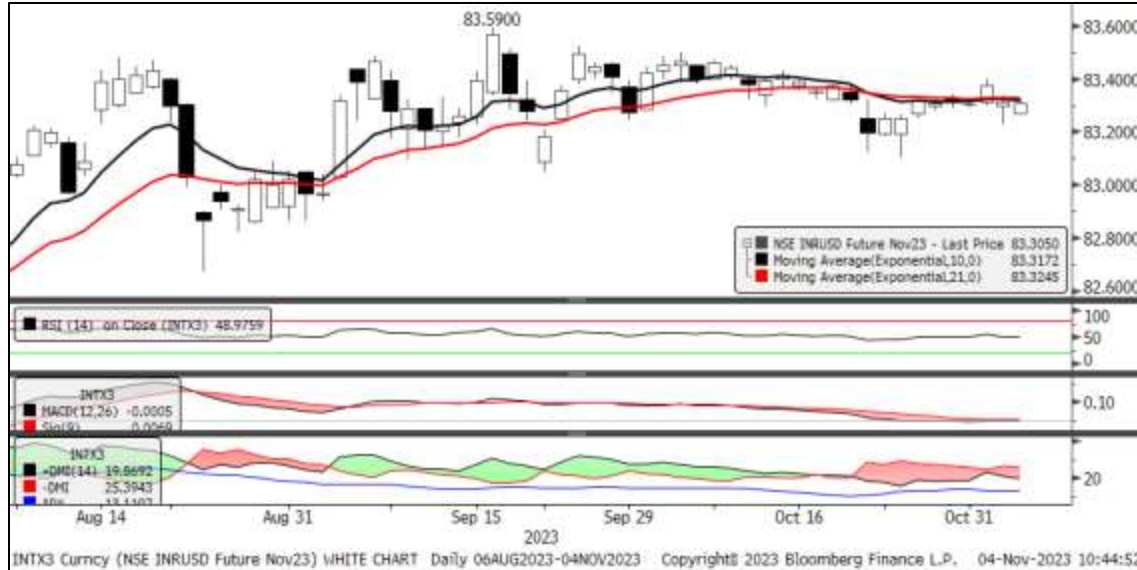
Global Indices

Name	03-Nov-23	27-Oct-23	Change	% Change
Nifty	19230.6	19047.3	183	0.96%
Sensex	64363.8	63782.8	581	0.91%
Hang Seng	17664.1	17398.7	265	1.53%
Nikkei	31949.9	30991.7	958	3.09%
S&P Index	4358.3	4117.4	241	5.85%
Dow Jones	34061.3	32417.6	1644	5.07%
Nasdaq	15099.5	14180.4	919	6.48%
FTSE	7417.7	7291.3	126	1.73%
CAC	7047.5	6795.4	252	3.71%
DAX	15189.3	14687.4	502	3.42%

Market Round-up

- Though the rupee closed at a record weekly low, it has been the best performer among the Asian currencies. The local rupee declined for the second week in a trot but the momentum remained lacklustre as it has been hovering near this level for the last month. The rupee bears are surrendering to the central bank's dollar supply, retracement in the crude oil prices and a healthy economic performance. However, the foreign fund remained sellers amid risk-averse sentiment globally.
- Last week, spot USDINR gained 4 paise to 83.285 while India's benchmark 10-year bond yield declined 4bps to 7.31%. The FPI sold worth \$614mn equities and bought \$246mn debts, in the week gone. The week was marked by weak domestic economic data as eight core infrastructure and PMI activity witnessed slower growth.
- **USDINR Outlook:** The greenback's reaction to Friday's payroll data, it's clear the bearish are about to take the driving seat in the coming days. The implied currency volatility may further decline in the coming days as the volatility premium in rates is reduced after last week's three major central bank policy meetings were completed. Spot USDINR is expected to head south towards 83 after resisting crossing the 83.30 in the past month.
- The greenback chocked the worst week since July after Friday's payrolls report showed a cooling labour market, underpinning views that the Federal Reserve is done raising interest rates. US Treasuries rallied as traders pulled forward expectations of cuts from the Fed. US 10-year yields seeing their first three-session slide since August. The S&P 500 gained over 5%, its best week of the year.
- Positive dollar headlines tend to be sidelined and there is some dispersed evidence that long awaited bearish greenback may be starting to unfold. The hiking cycle seems to be concluding in the US, the UK and Europe. The Federal Open Market Committee skipped a rate hike, and traders interpreted Jerome Powell's subsequent press conference as dovish. Fed funds futures are now looking for more than 110 bps of cuts by January 2025, compared to 87 bps a week ago.
- **Week Ahead:** This week may be a little quieter, depending on news from the Middle East. On Wednesday Jerome Powell speaks and again Thursday at the IMF, which may be the key event of the week for US markets. We also have the Fed's senior loan officers' survey on Monday, which may show tighter credit. The UK will publish GDP and China may report a third straight month of export declines.

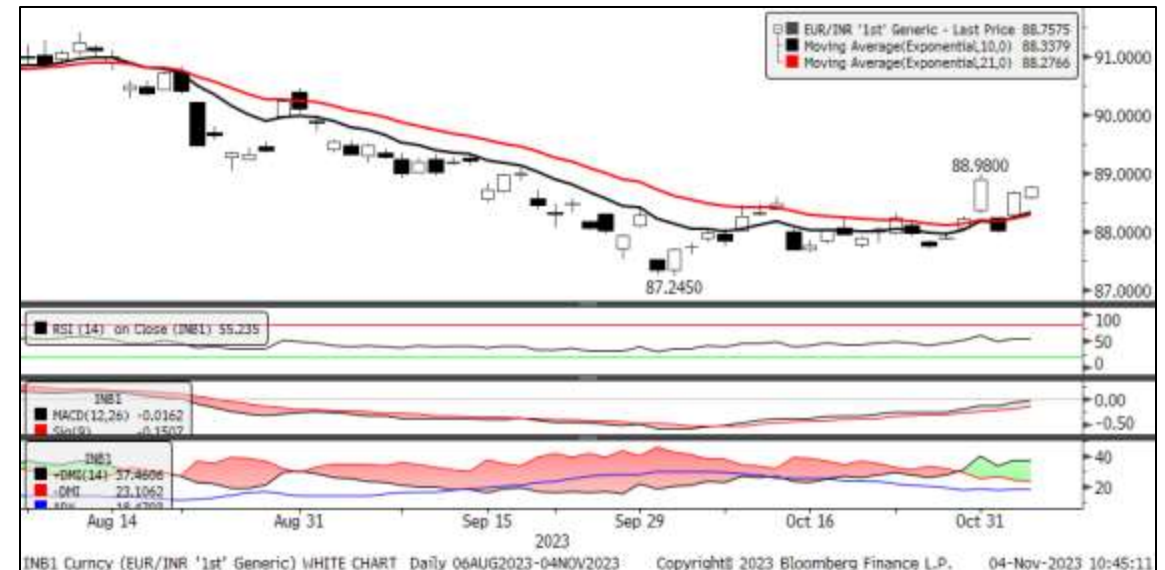
USDINR Nov Futures Daily Chart



Technical Observations:

- USDINR oscillating near the 21-day exponential moving average. It has been trading in the range of 83.10 to 83.40.
- Momentum oscillator, RSI has been placed slightly below 50 and flattening indicates lacklustre price action.
- The pair has support at 83 and resistance at 83.60.
- The above technical evidence, chart patterns and derivative data exhibiting neutral to bearish.
- **Sell USDINR Nov Fut at 83.30 SL 83.70 Target 82.90**

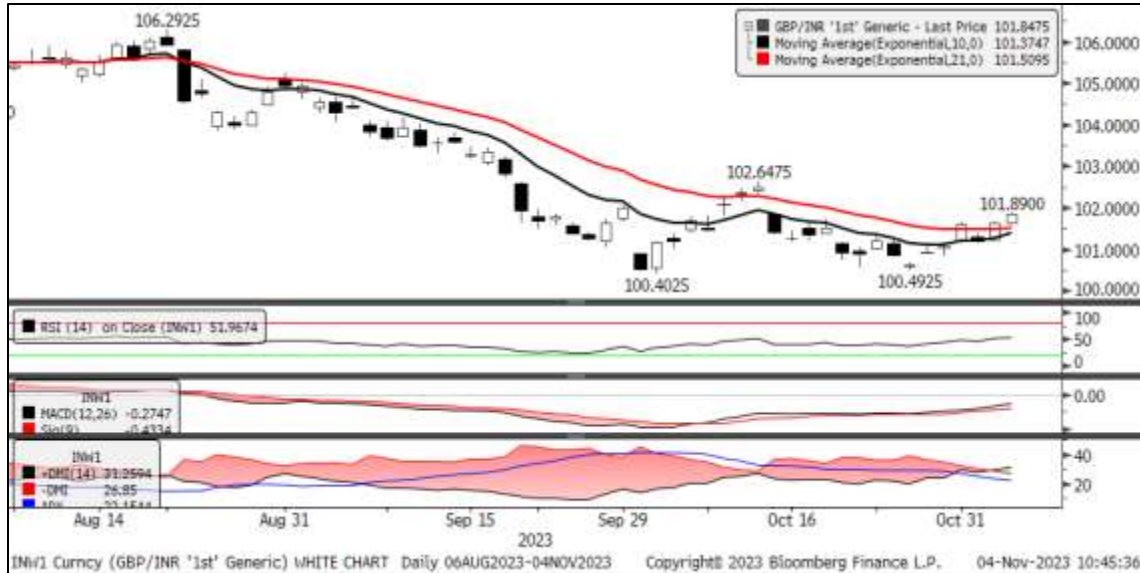
EURINR Nov Futures Daily Chart



Technical Observations:

- EURINR fut closed above 21 DEMA and is about to cross the recent swing high.
- MACD is placed below the zero line but heading north indicating a possible uptrend going ahead.
- Long buildup has been seen as the price and open interest gained.
- The pair has support at 88.10 and resistance at 90.40.
- **Buy EURINR Nov Fut at 89 SL 88.10 Target 90.40**

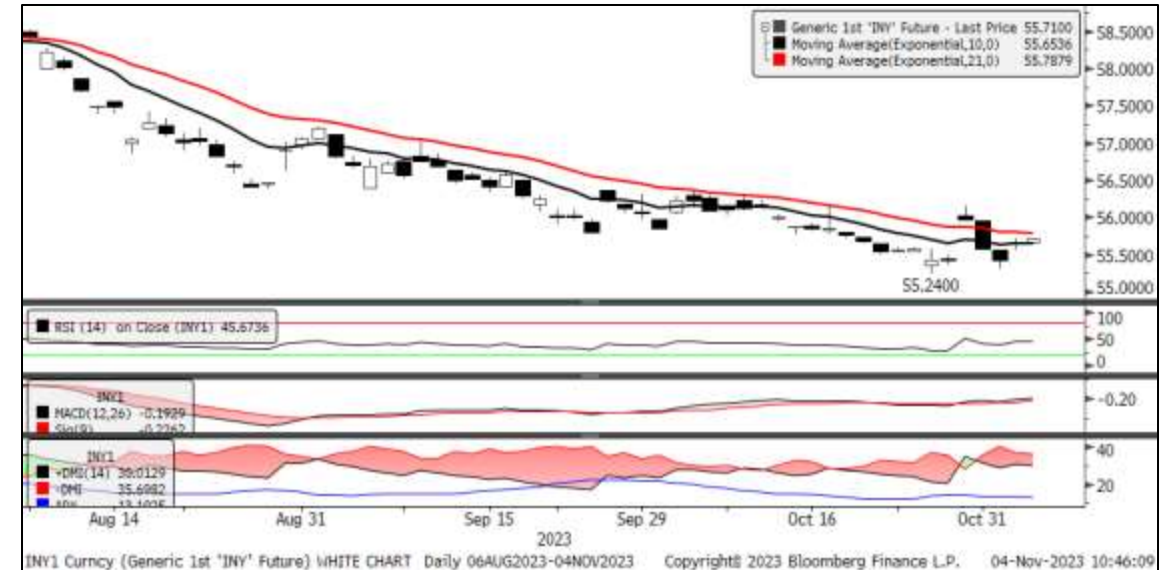
GBPINR Nov Futures Daily Chart



Technical Observations:

- GBPINR Nov fut closed above short-term moving averages.
- The pair also closed above downward sloping trend line resistance.
- Relative Strength Index of 14 days placed above 50 and given positive divergence. The directional movement index turned positive.
- **Buy GBPINR Nov Fut at 102 SL 101.00 Target 103.30**

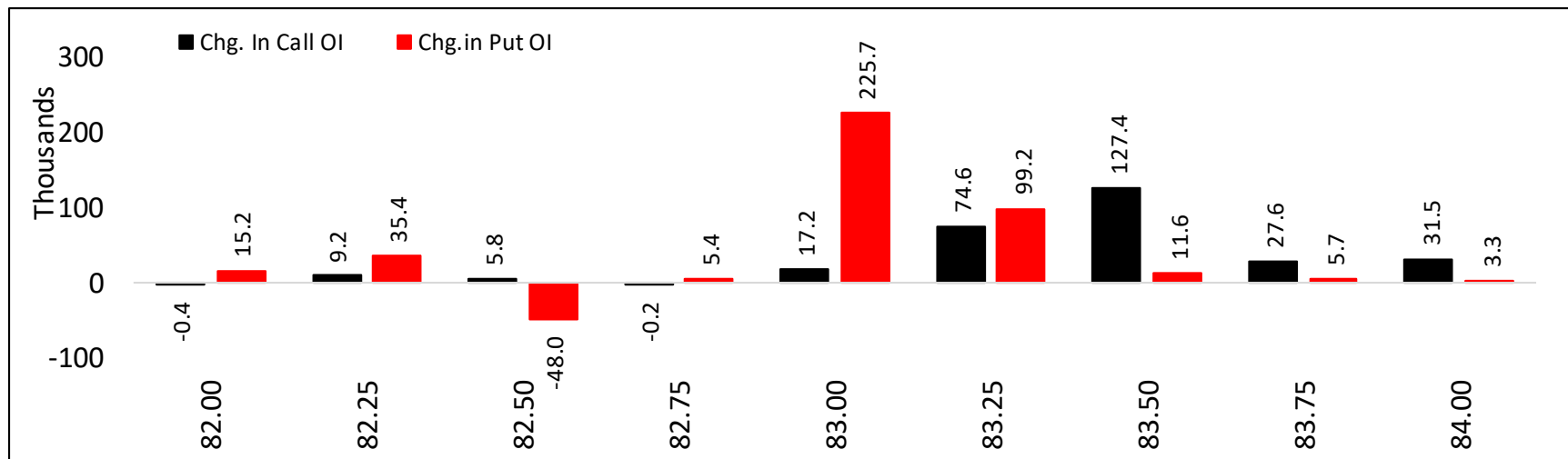
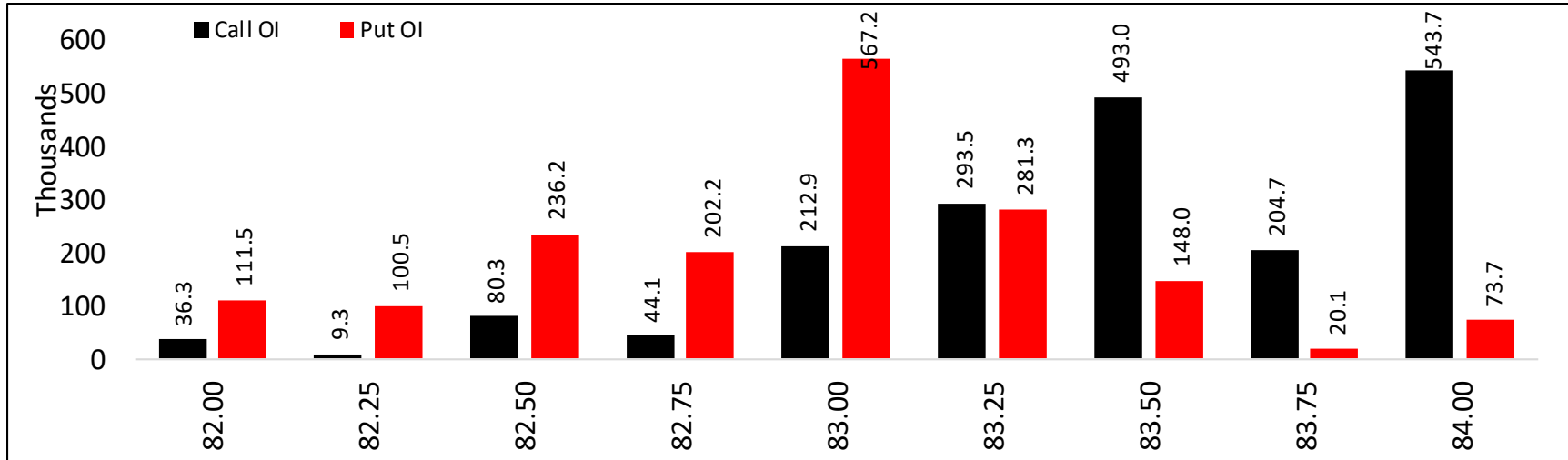
JPYINR Nov Futures Daily Chart



Technical Observations:

- JPYINR Nov fut formed bullish candles after a doji candlestick pattern indicating a short-term trend reversal.
- Relative strength index of 14 days placed slightly below 50 but direction remained upward with positive divergence.
- MACD turned bullish and is expected to cross the zero line in the coming days.
- **Buy JPYINR Nov Fut above 56.10 SL 55.40 Target 57.40**

USDINR Nov Month Option Distribution



Observations:

- Maximum open interest is observed on 84 strikes with 7.8 lakh contracts.
- The high open interest addition has been seen on the 83 strikes PE, adding 2.26 lakh contracts. Another side, 83.50 strikes CE added 1.27 lakh contracts.
- The put call ratio declined to 0.74 from the start of the series at 0.77.
- Looking at the option distribution belly, USDINR Nov fut has resistance at 84 and support at 83.
- **The option belly suggests USDINR trading between 83.50 to 82.50 with a bearish bias.**

Dollar Index Daily Chart



EURUSD Daily Chart



GBPUSD Daily Chart



USDJPY Daily Chart



Currency Derivative Price Actions

Currency Pair	High	Low	Close	Abs. Chg.	% Change	Open Interest	Chg. in OI	Agg. OI	Chg.in Agg. OI	Volume	Chg. Volume
USDINR Future Nov 23	83.3975	83.2275	83.3050	0.00	0.00%	5669812	462162	7269575	1636156	1170241	-1146873
EURINR Future Nov 23	88.9800	87.9875	88.7575	0.73	0.84%	135408	16727	174713	26080	167901	-18667
GBPINR Future Nov 23	101.8900	100.8275	101.8475	0.81	0.80%	171382	-3779	215540	-23334	149963	-106664
JPYINR Future Nov 23	56.1625	55.3125	55.7100	-0.16	-0.28%	124169	23555	142635	-224	25896	-61801
EURUSD Future Nov 23	1.0681	1.0553	1.0655	0.01	0.79%	1168	126	1182	-878	104	-850
GBPUSD Future Nov 23	1.2225	1.2091	1.2223	0.01	0.76%	792	83	793	19	41	-930
USDJPY Future Nov 23	150.51	148.35	149.50	-0.69	-0.46%	1454	443	1658	259	438	-168

Technical Levels

Currency Pair	Pivot	Supt.2	Supt.1	Resi.1	Resi.2	5 DSMA	20 DSMA	50 DSMA	Upper Band	Lower Band	RSI
USDINR Future Nov 23	83.31	83.14	83.22	83.39	83.48	83.32	83.34	83.28	83.39	83.16	48.98
EURINR Future Nov 23	88.58	87.58	88.17	89.16	89.57	88.52	88.28	88.90	88.80	87.47	53.27
GBPINR Future Nov 23	101.52	100.46	101.15	102.22	102.58	101.47	101.53	102.66	102.39	100.44	50.61
JPYINR Future Nov 23	55.73	54.88	55.29	56.14	56.58	55.67	56.05	56.76	56.26	55.29	34.42
EURUSD Future Nov 23	1.0630	1.0502	1.0578	1.0706	1.0758	1.0624	1.0587	1.0675	1.0664	1.0504	53.52
GBPUSD Future Nov 23	1.2180	1.2046	1.2134	1.2268	1.2314	1.2177	1.2169	1.2322	1.2296	1.2060	51.18
USDJPY Future Nov 23	149.45	147.29	148.40	150.56	151.61	149.68	149.55	147.41	150.60	148.06	55.37

Monday	Tuesday	Wednesday	Thursday	Friday
06 Nov	07 Nov	08 Nov	09 Nov	10 Nov
Japan, EU: Service & Composite PMI UK: Construction PMI	EU: PPI US, China: Trade Balance	EU: Retail Sales US: MBA Mortgage Application, Wholesale Trade Sales	Japan: Trade & BoP Balance China: CPI US: Initial & Conti. Jobless Claims	UK: IIP, Mfg. Production, Trade Balance, GDP India: IIP US: Uni. of Mich. Sentiment
13 Nov	14 Nov	15 Nov	16 Nov	17 Nov
Japan; PPI India: CPI, Trade Balance	India: WPI (Holiday) UK: Claimant count EU: GDP US: CPI	Japan: GDP, IIP China, EU: IIP UK: CPI US: Retail sales, Empire Mfg.	Japan: Trade Balance US: Trade Balance, Initial & Conti. Jobless claims, IIP, Capacity Utilisation, NAHB Housing Market Index	EU: ECB CA, CPI US: Building Permits, Housing Starts
20 Nov	21 Nov	22 Nov	23 Nov	24 Nov
China: 1 & 5 Yr. LPR EU: Construction Output	US: Existing Home Sales, Chicago Fed Activity, FOMC Meeting Minutes	US: Durable goods orders, Initial & Conti. Claims, Uni. of Mich. Sentiments	US, Japan: Holiday EU, UK: Mfg., Service, Composite PMI (P)	Japan, US: Mfg., Service, Composite PMI (P)
27 Nov	28 Nov	29 Nov	30 Nov	01 Dec
India: Holiday China: Industrial Profit US: New Home Sales	US: CBI Confidence, Richmond Fed Mfg. Index, Nationwide HPI	UK: Mortgage Approval EU: Consumer Confidence US: MBA Mortgage, GDP, Personal Consumption, Core PCE Price Index	Japan: Retail Sales, IIP, Housing starts China: PMI EU: CPI India: GDP, Eight Core Infra US: Personal Income & Spending, Initial & Conti. Jobless claims, Pending Home Sales	Japan, China, India, EU, UK, US: Mfg. PMI US: ISM Mfg.

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