

Currency Weekly

January 08, 2024

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Dollar falls to 5-week low on rate-cut expectations

Highlights for the week ending January 5, 2024

- US Dollar Index gained 1.02% last week to close at 102.412
- US 10-year treasury yields gained 4.70% last week to 4.0476%
- US average hourly earnings increased 0.4% in December 2023 vs. 0.4% in November 2023
- US added 216,000 jobs in December 2023 compared with 168,000 jobs in November 2023
- US unemployment rate remained unchanged at 3.7% in December 2023 vs. November 2023
- US ISM Services PMI declined to 50.6 in December 2023 compared with 52.7 in November 2023
- US factory orders increased by 2.6% in November 2023 compared with -3.4% in October 2023
- US Final Manufacturing PMI fell to 47.9 in December 2023 compared with 48.2 in initial estimates
- US ISM Manufacturing PMI increased to 47.4 in December 2023 vs. 46.7 in November 2023
- JOLTS Job Openings declined to 8.79 million in November 2023 vs. 8.85 million in October 2023
- US weekly unemployment claims declined to 202,000 as compared to a forecast of 220,000
- US Final Services PMI fell to 51.4 in December 2023 compared with 51.3 in initial estimates
- China's Caixin Manufacturing PMI rose to 50.8 in December 2023 vs. 50.7 in November 2023
- China's Caixin Services PMI rose to 52.9 in December 2023 compared with 51.5 in November 2023
- UK's construction PMI increased to 46.8 in December 2023 compared with 45.5 in November 2023
- UK Final Manufacturing PMI fell to 46.2 in December 2023 compared with 46.4 in initial estimates
- UK Final Services PMI rose to 53.4 in December 2023 compared with 52.7 in initial estimates
- German retail sales declined by 2.5% in November 2023 compared with 1.1% in October 2023
- German Final Manufacturing PMI rose to 43.3 in December 2023 vs. 43.1 in initial estimates
- German Unemployment Change increased by 5,000 in December 2023 vs. 21,000 in November 2023
- German CPI increased to 3.7% in December 2023 compared with 3.2% in November 2023
- German Final Services PMI rose to 49.3 in December 2023 compared with 48.4 in initial estimates
- Euro Area CPI increased to 2.9% in December 2023 compared with 2.4% in November 2023
- Euro Area core CPI declined to 3.4% in December 2023 compared with 3.6% in November 2023
- Euro Area PPI declined by 0.3% in November 2023 compared with 0.3% in October 2023
- Euro Area Final Manufacturing PMI rose to 44.4 in December 2023 vs. 42.2 in initial estimates
- Euro Area Final Services PMI rose to 48.8 in December 2023 compared with 48.1 in initial estimates
- India's manufacturing PMI declined to 54.9 in December 2023 compared with 56 in November 2023
- India's services PMI increased to 59 in December 2023 compared with 56.9 in November 2023
- India's FY24 GDP estimates up at 7.3% vs. 7.2% in FY23
- India's forex reserves rose to \$623.2 billion for the week ended December 29, 2022, compared with \$620.44 billion in the prior week

Equity markets

INDICES	05-01-2024	29-12-2023	% CHANGE
DJIA	37466.11	37689.54	-0.59%
DAX	16594.21	16751.64	-0.94%
FTSE	7689.61	7733.24	-0.56%
HANGSN	16535.33	17047.39	-3.00%
NIKKEI	33377.42	33464.17	-0.26%
NIFTY	21710.80	21731.40	-0.09%

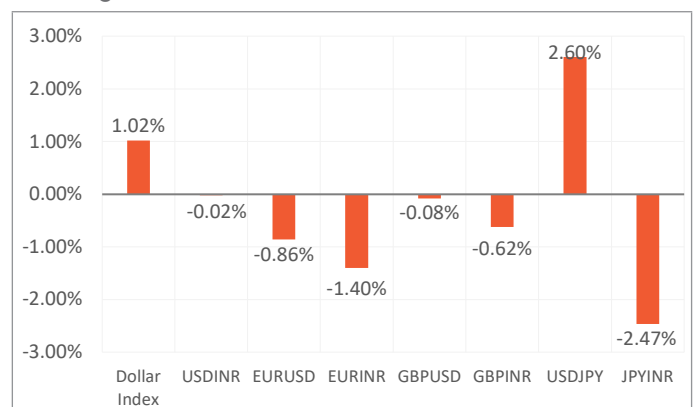
Source: Telequote

Forex

CURRENCY	05-01-2024	29-12-2023	% CHANGE
DOLLAR INDEX	102.4120	101.3790	1.02%
USDINR	83.15	83.17	-0.02%
EURUSD	1.0940	1.1035	-0.86%
EURINR	90.73	92.02	-1.40%
GBPUSD	1.2720	1.2730	-0.08%
GBPINR	105.22	105.88	-0.62%
USDJPY	144.67	141.00	2.60%
JPYINR	57.23	58.67	-2.47%

Source: Telequote, Trade Tiger

Currency Performance for the week



Currency Performance and Outlook for the Week

USDINR: The Indian rupee appreciated marginally by 0.02% last week on FII and FPI inflows last week. Favourable macroeconomic data from India also supported Rupee. India's services PMI increased to 59 in December 2023 compared with 56.9 in November 2023. India's composite PMI increased to 58.5 in December 2023 compared with 57.4 in November 2023. India's forex reserves rose to \$623.2 billion for the week ended December 29, 2022, compared with \$620.44 billion in the prior week. However, positive US Dollar and surge in crude oil prices capped the sharp gains. Weak domestic markets and RBI's buying of Dollar also weighed on rupee at higher levels. Rupee touched a high of 83.12 per Dollar last week and closed at 83.15.

US Dollar gained last week on easing expectations of aggressive rate cuts by US Federal Reserve in 2024 and a surge in US treasury yields. Risk aversion in global markets and geopolitical tensions in the Red Sea also supported the greenback. Economic data from the US was mixed to positive with upbeat labor market report. US average hourly earnings increased by 0.4% in December 2023 compared with 0.4% in November 2023. Non-farm payrolls report showed that US added 216,000 jobs in December 2023 compared with 168,000 jobs in November 2023. The unemployment rate remained unchanged at 3.7% in December 2023 compared with November 2023. ISM Manufacturing PMI increased to 47.4 in December 2023 compared with 46.7 in November 2023. Weekly unemployment claims declined to 202,000 as compared to a forecast of 220,000. Factory orders increased by 2.6% in November 2023 vs. -3.4% in October 2023. However, ISM Services PMI declined to 50.6 in December 2023 compared with 52.7 in November 2023, capping sharp gains. Final Manufacturing PMI fell to 47.9 in December 2023 compared with 48.2 in initial estimates. JOLTS Job Openings declined to 8.79 million in November 2023 compared with 8.85 million in October 2023. Final Services PMI fell to 51.4 in December 2023 compared with 51.3 in initial estimates. Dollar Index touched a high of 103.101 last week before closing at 102.412 against a basket of six major currencies.

Outlook: Indian Rupee is expected to depreciate slightly on risk aversion in global markets and expectations that US Dollar may strengthen this week. Dollar may gain as markets are easing their expectations of rate cuts by US Federal Reserve. Any further rise in crude oil prices amid the ongoing tensions in the Red Sea may also put pressure on Rupee. Investors will watch out for inflation data from the US and India and IIP data from India this week. Traders may also watch out for trade balance and PPI data from the US this week. USDINR spot is expected to trade between 82.70-83.70 for this week.

EURUSD: The Euro depreciated by 0.86% in the previous week on positive US Dollar and weak European markets. A surge in crude oil prices and mixed to negative economic data also weighed on Euro. German retail sales declined by 2.5% in November 2023 compared with 1.1% in October 2023. German Final Manufacturing PMI rose to 43.3 in December 2023 compared with 43.1 in initial estimates. German CPI increased to 3.7% in December 2023 compared with 3.2%

in November 2023. Euro Area CPI increased to 2.9% in December 2023 vs. 2.4% in November 2023. Euro Area PPI declined by 0.3% in November 2023 vs. 0.3% in October 2023. However, German Unemployment Change increased by 5,000 in December 2023 compared with 21,000 in November 2023. German Final Services PMI rose to 49.3 in December 2023 compared with 48.4 in initial estimates. Euro Area core CPI declined to 3.4% in December 2023 vs. 3.6% in November 2023. Euro Area Final Manufacturing PMI rose to 44.4 in December 2023 compared with 42.2 in initial estimates. Euro Area Final Services PMI rose to 48.8 in December 2023 compared with 48.1 in initial estimates. Euro touched a low of 1.0876 last week before closing at 1.094 against US Dollar.

Outlook: The Euro is expected to trade with a slight negative bias on positive US Dollar and risk aversion in global markets. Concerns over economic slowdown and geopolitical tensions in the Red Sea region and the Middle East may also weigh on Euro. However, rate cut expectations by the Fed in 2024 may support Euro at lower levels. Traders may take cues from factory orders, trade balance, and industrial production data from Germany. Traders may also take cues from Sentix investor confidence, retail sales, and unemployment rate data from Euro Area. EURINR spot is expected to trade between 89-92 for this week.

GBPUSD: The Pound depreciated by 0.08% last week on positive US Dollar and weak FTSE. However, favourable economic data cushioned the downside. UK's construction PMI increased to 46.8 in December 2023 compared to 45.5 in November 2023. Final Manufacturing PMI fell to 46.2 in December 2023 compared with 46.4 in initial estimates. Final Services PMI rose to 53.4 in December 2023 compared with 52.7 in initial estimates. Pound touched a low of 1.2610 and closed at 1.2720 against US Dollar.

Outlook: The Pound is expected to trade with a slight negative bias on risk aversion in global markets and expectations of a strong Dollar. Concerns over the global economic slowdown in 2024 and a decline in UK's inflation late last month may also weigh on Pound. However, rate cut expectations by the Fed may support Pound at lower levels. Traders may take cues from UK's GDP, construction output, goods trade balance, industrial production, and PPI data. GBPINR spot is expected to trade between 103.80-106.50 for this week.

USDJPY: The Japanese Yen depreciated by 2.6% in the previous week on strong US Dollar and surge in US treasury yields. A 3.45% rise in crude oil prices also weighed on Yen. However, risk aversion in global markets cushioned the downside. Dollar touched a high of 145.97 before closing at 144.67 against Yen.

Outlook: Japanese Yen is expected to trade with a slight negative bias on positive US Dollar and expectations of further rise in US treasury yields. However, safe haven demand amid tensions in the Red Sea may support Yen at lower levels. Traders may also take cues from Japan's current account balance data. JPYINR spot is expected to trade between 55.50-58.80 for this week.

Major macro-economic data this week

Date	Region	Event	Survey	Prior	Impact
08-Jan	Germany	German Factory Orders m/m	1.10%	-3.70%	Medium
08-Jan	Germany	German Trade Balance	17.9B	17.8B	Medium
08-Jan	Eurozone	Sentix Investor Confidence	-15.5	-16.8	Medium
08-Jan	Eurozone	Retail Sales m/m	-0.30%	0.10%	Medium
09-Jan	Germany	German Industrial Production m/m	0.40%	-0.40%	Medium
09-Jan	Eurozone	Unemployment Rate	6.50%	6.50%	Medium
09-Jan	US	Trade Balance	-64.9B	-64.3B	Medium
10-Jan	UK	BOE Gov Bailey Speaks	-	-	High
11-Jan	US	Core CPI y/y	3.80%	4.00%	High
11-Jan	US	CPI m/m	0.20%	0.10%	High
11-Jan	US	CPI y/y	3.20%	3.10%	High
11-Jan	US	Unemployment Claims	211K	202K	High
12-Jan	US	Federal Budget Balance	-53.5B	-314.0B	Medium
12-Jan	Japan	Current Account	2.18T	2.62T	Medium
12-Jan	China	CPI y/y	-0.40%	-0.50%	High
12-Jan	China	USD-Denominated Trade Balance	76.2B	68.4B	Medium
12-Jan	UK	GDP m/m	0.20%	-0.30%	High
12-Jan	UK	Construction Output m/m	0.40%	-0.50%	Medium
12-Jan	UK	Goods Trade Balance	-15.7B	-17.0B	Medium
12-Jan	UK	Industrial Production m/m	0.30%	-0.80%	Medium
12-Jan	India	Industrial Production y/y	-	11.70%	Medium
12-Jan	India	CPI y/y	-	5.55%	High
12-Jan	US	PPI m/m	0.10%	0.00%	High

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