

RESEARCH**BOB ECONOMICS RESEARCH | CURRENCY UPDATE**

Fortnightly forex review

SUMMARY**INDIA ECONOMICS: CURRENCY UPDATE**

INR continued to trade in a narrow trading range in Mar'24 and has noted a modest gain of 2paise over Feb'24. In 2024 so far, it has strengthened by 0.4%. We expect INR to remain resilient in the near to medium term supported by robust domestic fundamentals. Range bound oil prices, buoyant FPI inflows and comfortable external deficits bode well for INR's outlook. We expect INR to trade in a narrow range of 82.75-83.00/\$ in Mar'24.

[Click here](#) for the full report.**Daily macro indicators**

Indicator	13-Mar	14-Mar	Chg (%)
US 10Y yield (%)	4.19	4.29	10bps
India 10Y yield (%)	7.04	7.04	0bps
USD/INR	82.86	82.83	0.0
Brent Crude (US\$/bbl)	84.0	85.4	1.7
Dow	39,043	38,906	(0.4)
Hang Seng	17,082	16,962	(0.7)
Sensex	72,762	73,097	0.5
India FII (US\$ mn)	12-Mar	13-Mar	Chg (\$ mn)
FII-D	299.4	97.7	(201.7)
FII-E	(14.0)	1,759.0	1,772.9

Source: Bank of Baroda Economics Research

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16 March 2024

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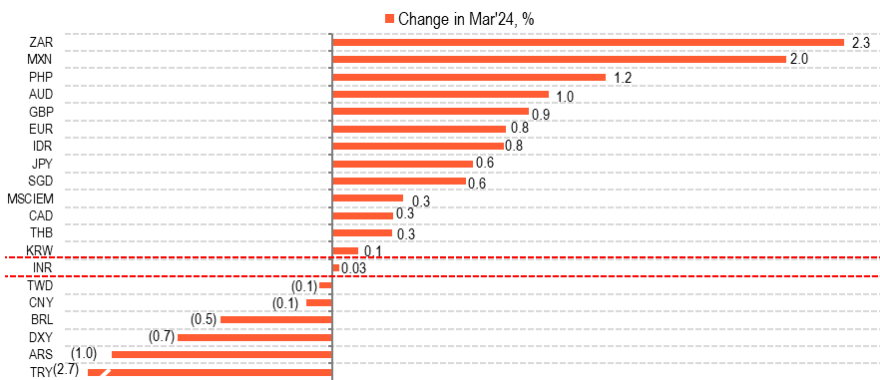
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Aditi Gupta
Economist

Movement in global currencies

In Mar'24 so far, global currencies have broadly appreciated against the dollar. DXY index is 0.7% lower in the month, as investors assess the Fed rate path. The Fed Chair alluded to the possibility of rate cuts in his testimony to the Congress but continued to bat for a data dependent approach. Macro data has been mixed, with both retail and producer price inflation exhibiting some level of stickiness. This has lent a degree of uncertainty to the timing and quantum of rate cuts, which led to volatility in markets. Markets are widely pricing in a rate cut in Jun'24 as most likely, given that the economy is also appearing to lose steam. Other major central banks such as the European Central Bank (ECB) and the Bank of England (BoE) too are also likely to follow the same timeline as the Fed. The only exception would be Bank of Japan (BoJ) which is widely anticipated to end its long held negative interest rate regime amidst a spiraling of inflationary pressures in the economy. This has been fueling the recovery in JPY.

Figure 1: Movement in global currencies in March 2024



Source: Bloomberg, Bank of Baroda Research | Note: Data as of 15 Mar 2024 | Figures in brackets indicate depreciation against the dollar

How has INR fared?

USD/INR traded in a thin range of 82.77-82.91/\$ in the first fortnight of March 2024. The annualized daily volatility in INR remained moderated further to 0.8% in Mar'24 compared with 1.2% in Feb'24.



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Note: Recommendation structure changed with effect from 21 June 2021

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