

RESEARCH**BOB ECONOMICS RESEARCH | CURRENCY UPDATE**

Fortnightly review

Daily macro indicators

Indicator	14-Jun	17-Jun	Chg (%)
US 10Y yield (%)	4.22	4.28	6bps
India 10Y yield (%)	6.99	6.98	0bps
USD/INR	83.55	83.56	0.0
Brent Crude (US\$/bbl)	82.6	84.3	2.0
Dow	38,589	38,778	0.5
Hang Seng	17,942	17,936	0
Sensex	76,811	76,993	0.2
India FII (US\$ mn)	12-Jun	13-Jun	Chg (\$ mn)
FII-D	250.3	114.8	(135.6)
FII-E	81.3	331.6	250.3

Source: Bank of Baroda Economics Research

SUMMARY**INDIA ECONOMICS: CURRENCY UPDATE**

INR faced significant volatility in the 1st fortnight of Jun'24 and depreciated by 0.1% to currently trade near a low of 83.57/\$. Multiple factors impacted Rupee. Volatility in the domestic market post the announcement of general election results, strengthening of dollar, FPI outflows, and rise in oil prices led to increased pressure on INR. As a result, INR traded in the range of 83.15-83.57/\$.

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18 June 2024

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Sonal Badhan
Economist

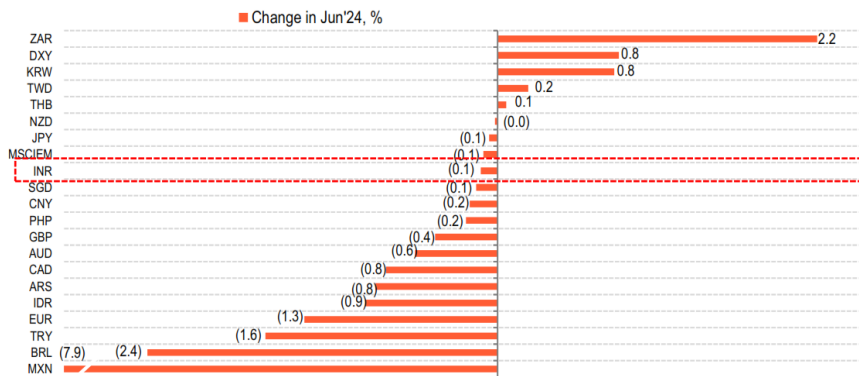
In the next fortnight, we expect INR to strengthen, in the wake of renewed FPI inflows, with an expected trading range of 83.3-83.6/\$. Weakness in US\$ is also expected as investors price more than expected rate cuts in CY25.

Movement in global currencies in Jun'24

In Jun'24 (as of 14 June), major global currencies depreciated against the dollar. The movement in global currencies was led by rebound in dollar. DXY index, measuring the dollar's value against a basket of currencies is 0.8% higher in Jun'24, reversing the 1.5% loss it made last month. Dollar regaining strength can be attributed to Fed's continued narrative of 'higher for longer' rate scenario. As per the latest Fed policy projections, the central bank expects growth to hold ground (2.1% in CY24) and PCE inflation to settle at 2.6% versus 2.4% estimated earlier. The Dot plot also indicates that the members are looking at 1 rate cut this year.

Apart from this, weakness in other currencies EUR and JPY also supported dollar demand. Ongoing political uncertainty in Europe (European parliamentary elections and snap elections in France), has pulled EUR down by more than 1%. In case of Yen, no change in the stance by BoJ and deferred plans to announce the details of winding up of its bond purchase program impacted market sentiments.

Figure 1: Movement in global currencies in Jun'24



Source: Bloomberg, Bank of Baroda Research | Note: Data as of 14 Jun 2024 | Figures in brackets indicate depreciation against the dollar



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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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Note: Recommendation structure changed with effect from 21 June 2021

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