



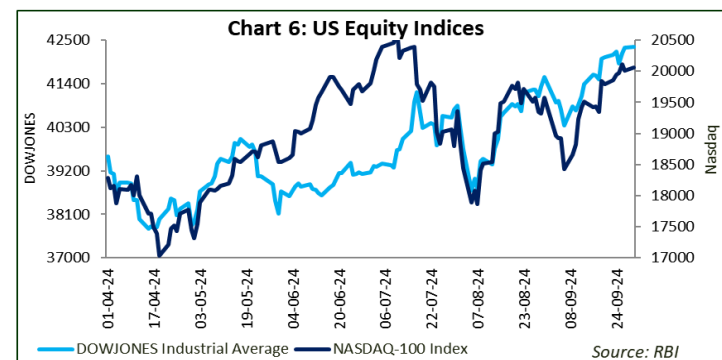
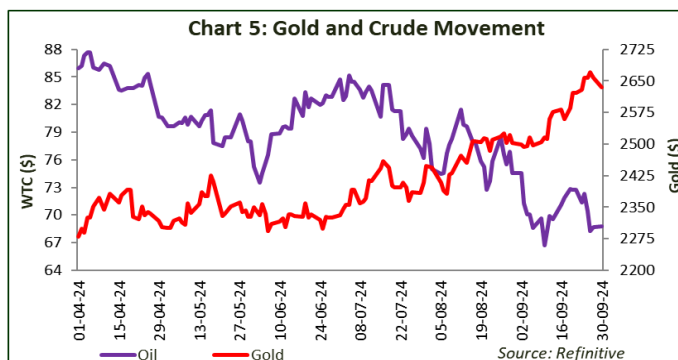
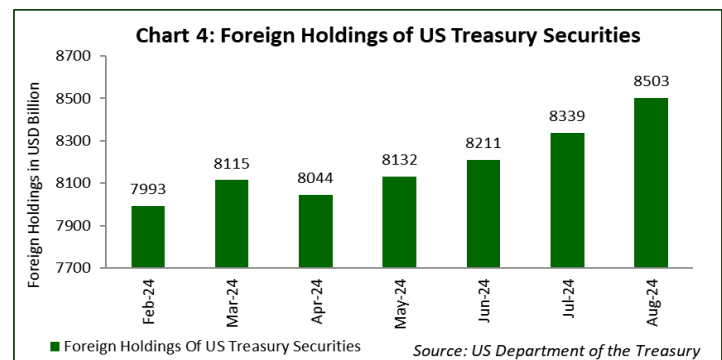
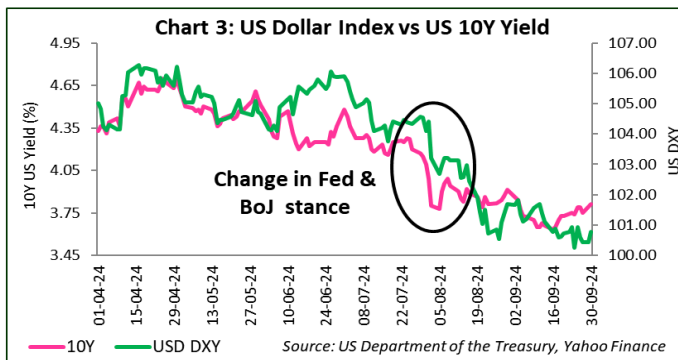
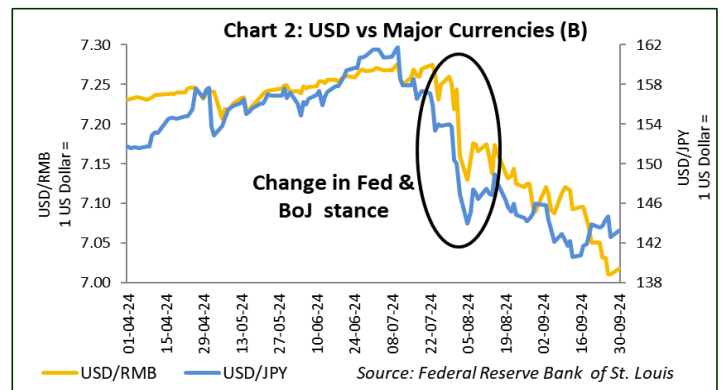
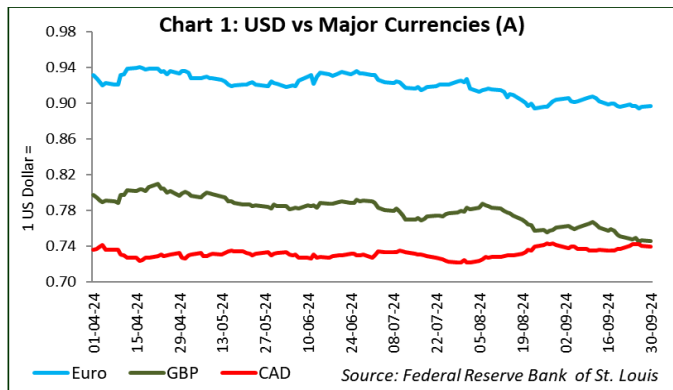
CCIL FOREX QUARTERLY

JULY - SEPTEMBER 2024



International Developments

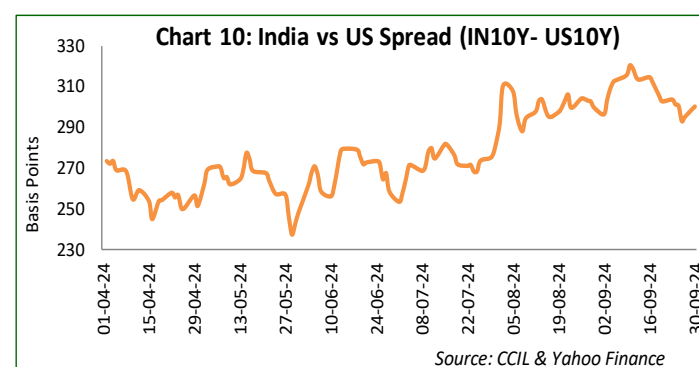
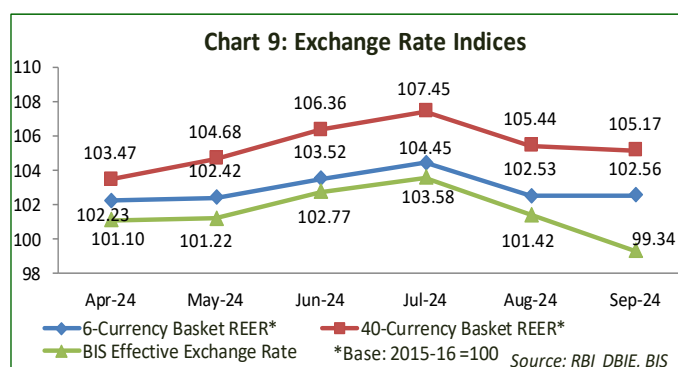
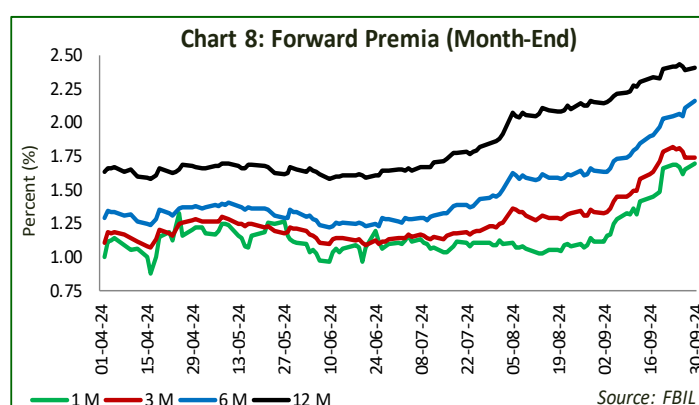
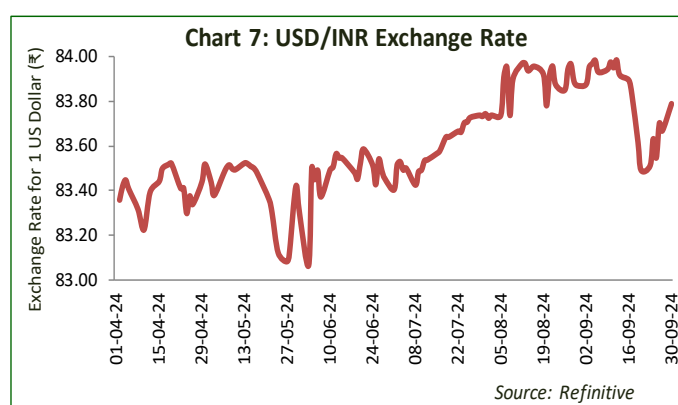
Central bank actions were the primary drivers of the global currency market during Q2-FY25. The divergent outcomes of the July 31st meetings of the US Federal Reserve and the Bank of Japan triggered a massive unwinding of carry trades that reverberated across asset classes in global markets. The volatility and repositioning in the Japanese Yen (JPY) were also reflected in a sharp increase in JPY settlements in the CCIL-CLS segment during the quarter. The drop in oil demand forecasts on account of concerns over a possible US recession and a slowdown in China, resulted in a continual downtrend in crude oil prices in spite of the worsening of the conflict in the Middle-East. Gold and US assets including equity and treasury bonds were the biggest beneficiaries of the safe-haven demand as well as the Fed's aggressive rate cut. While China's stimulus measures may lead to some rebalancing in its favor, emerging market (EM) currencies are expected to follow the trajectory of the USD, which largely reflected US macroeconomic data releases in Q2-FY25.



Domestic Developments

A. Reference Rates and Indices

The Indian Rupee (INR) remained largely stable with a gradual depreciation during Q2-FY25 amid the volatility in global currency markets due to the unwinding of yen carry trades. While the INR was supported by the strong FPI inflows following the commencement of the inclusion of FAR bonds in global indices even as oil prices remained benign, the central bank's intervention resulted in a gradual alignment with other EM peers. The recovery in the INR witnessed after the Fed's rate cut in September was reversed following the launch of China's multi-pronged economic stimulus plan that triggered a realignment of global investment flows. As a result, the nominal exchange rate hit record lows during the quarter, even as the INR remained overvalued in REER terms on account of higher inflation readings in India. Increased expectations of rate cuts in the US while the RBI delayed its policy easing resulted in forward premia rates trending upwards across Q2-FY25, despite a slight fall witnessed immediately after the Fed's rate action in September.

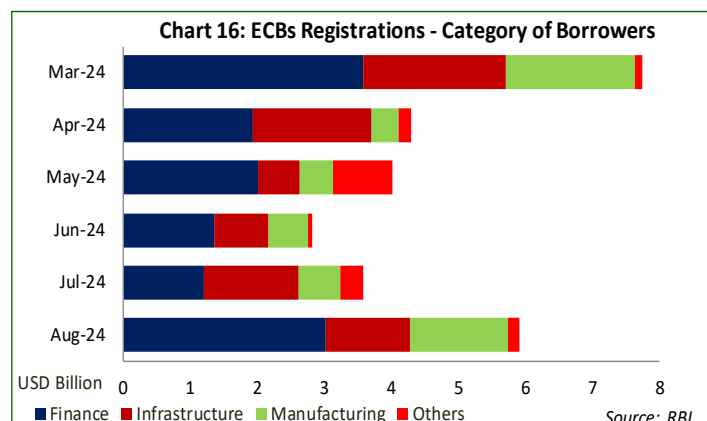
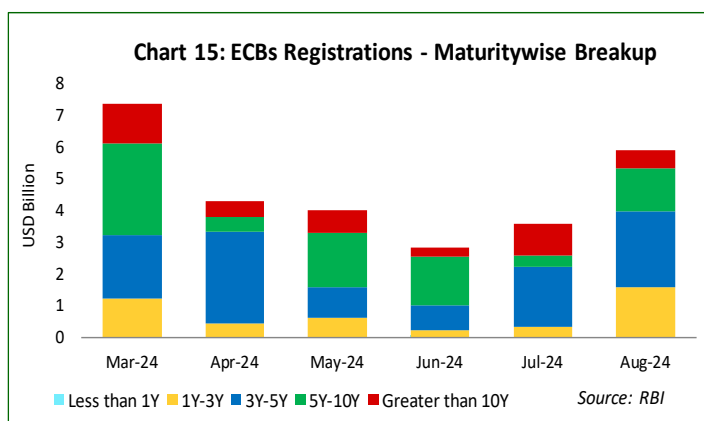
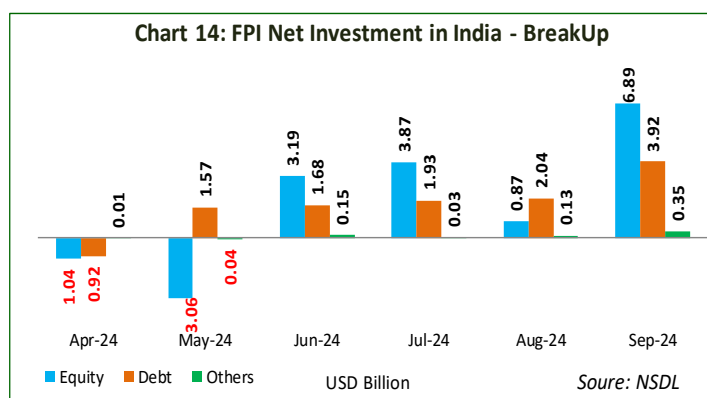
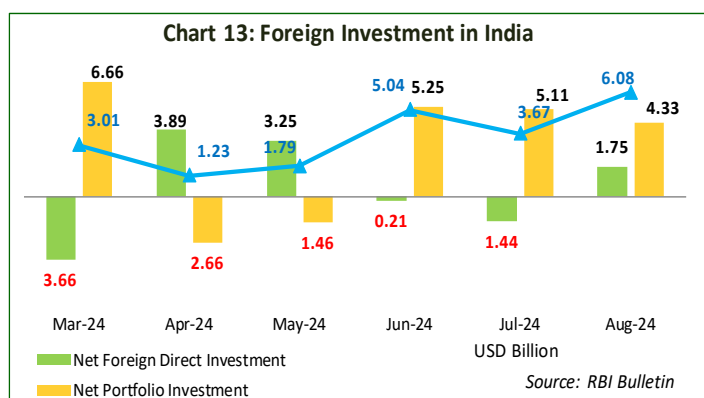
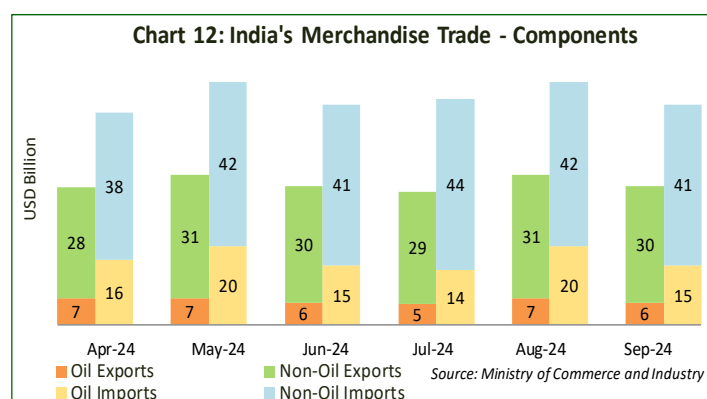
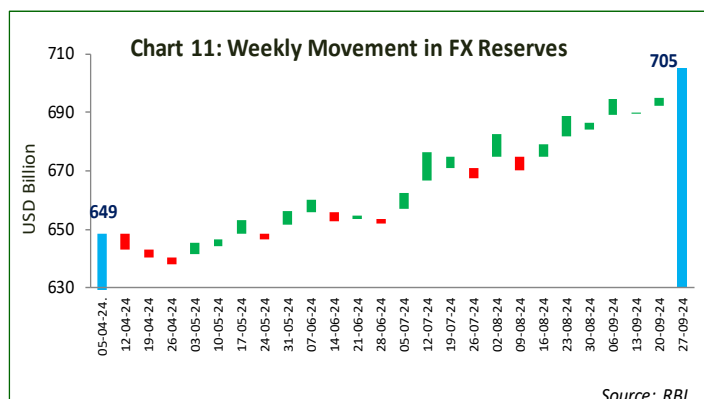


| Table 1: Cross-Currency Movement Against IMF's SDR | | | | | | | | |
|--|------------------------|--------------|---------------------|-----------|--------------|--------------|----------------|--------------------|
| Month | Currency units per SDR | | | | | | | |
| | Euro | Japanese Yen | Great Britain Pound | US Dollar | Indian Rupee | Chinese Yuan | Brazilian Real | South African Rand |
| Apr-24 | 1.22964 | 206.67800 | 1.05094 | 1.31793 | 110.07200 | 9.54444 | 6.81529 | 24.65330 |
| May-24 | 1.21963 | 207.33300 | 1.04035 | 1.32354 | 110.24900 | 9.58589 | 6.93669 | 24.95380 |
| Jun-24 | 1.22872 | 211.70500 | 1.03926 | 1.31534 | 109.77000 | 9.55767 | 7.31106 | 23.95740 |
| Jul-24 | 1.22684 | 202.45100 | 1.03448 | 1.32842 | 111.24700 | 9.59463 | 7.52083 | 24.27070 |
| Aug-24 | 1.21458 | 194.93400 | 1.02229 | 1.34661 | 112.94100 | 9.54153 | 7.61586 | 23.71550 |
| Sep-24 | 1.21148 | 193.48600 | 1.01173 | 1.35637 | 113.64900 | 9.51158 | 7.38885 | 24.70050 |
| 6 Month Trend | | | | | | | | |

Source: IMF

B. Movement of Capital

FPI inflows jumped in Q2-FY25 with the announcement of policy reversal in the US coinciding with the commencement of the inclusion of FAR G-Secs in JP Morgan EM bond indices from June 28th and a robust revival in equity inflows on account of India's increased weightage in international indices and a strong pipeline of issuances in the primary IPO segment. August also witnessed revival of net FDI inflows. As on September 27, 2024 India's foreign exchange reserves amounted to \$704.90 billion, equivalent to 12.1 months of annualized merchandise imports as per BoP basis and 103.30% of outstanding external debt at end-June 2024 (RBI MPR). Indian companies increased their overseas borrowings during July-August taking advantage of the softening interest rates and the knock-on effect of index inclusion. In FY25, companies have primarily opted for ECBs for capital expenditure requirements.



C. Macro Parameters

India's current account deficit expanded to \$9.70 billion (1.10% of GDP) in Q1-FY25 on account of a widened trade deficit due to a sharp increase in merchandise imports amid subdued exports. Net foreign direct investment (FDI) inflows and remittances by Indians employed overseas partially offset the CAD. There was an accretion of \$5.20 billion to the foreign exchange reserves (on a BoP basis excluding valuation effects) in Q1-FY25. At end-June 2024, India's external debt was placed at \$682.30 billion - 18.80% of the GDP, with the share of short-term debt (with original maturity of up to one year) in total external debt at 19.40%. The inclusion of FAR bonds in the FTSE-Russell EM indices from September 2025 is expected to provide further durable support to India's external balance amid geopolitical headwinds.

| Table 2: Trends in Balance of Payments (USD Billion)* | | | | | |
|---|---------|---------|---------|---------|---------|
| Item/Period | Q1-FY24 | Q2-FY24 | Q3-FY24 | Q4-FY24 | Q1-FY25 |
| Current Account | -8.9 | -11.3 | -10.4 | 4.6 | -9.7 |
| Goods | -56.7 | -64.5 | -71.6 | -52.0 | -65.1 |
| Non-Monetary Gold | -9.7 | -12.6 | -13.7 | -9.6 | -9.5 |
| Services | 35.1 | 39.9 | 45.0 | 42.7 | 39.7 |
| Primary Income | -10.2 | -11.6 | -13.1 | -14.8 | -10.7 |
| Secondary Income | 22.9 | 24.9 | 29.3 | 28.7 | 26.4 |
| Capital Account | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 |
| Financial Account | 9.4 | 10.4 | 11.4 | -5.3 | 9.1 |
| Direct Investment in India | 7.4 | 3.0 | 8.4 | 8.0 | 10.1 |
| Portfolio Investment | 15.7 | 4.9 | 12.0 | 11.4 | 0.9 |
| Reserve Assets [Increase (-)/Decrease (+)] | -24.4 | -2.5 | -6.0 | -30.8 | -5.2 |
| Errors and Omissions | -0.4 | 1.0 | -0.9 | 0.6 | 0.6 |
| *As per IMF BPM6; Source: RBI DBIE | | | | | |

D. Central Bank Intervention

RBI continued intervening in all segments of the foreign exchange market resulting in an orderly weakening of the INR in line with other EM currencies amid substantial capital inflows during Q2-FY25. RBI turned a net seller in the spot window in August while remaining a net seller in the forwards segment throughout April-August FY25 averting extreme fluctuations in the exchange rate. RBI Governor Shaktikanta Das has repeatedly emphasized the importance of forex reserves as buffers against external risks. The relative stability of the INR supported by focused reserve accumulation has eased the inclusion of FAR bonds in FTSE's EM Global Indices after being on their watchlist since 2021.

| Table 3: RBI Intervention in Foreign Exchange Market (USD Billion) | | | | | | | | | |
|--|----------|----------|---------|------|----------|---------|---|---------|--------------------------|
| Month | Purchase | | | Sale | | | Net Outstanding at month-end Sales (-)/Purchase (+) | | Rupee Range During Month |
| | Spot | Forwards | Futures | Spot | Forwards | Futures | Forwards | Futures | |
| Mar-24 | 15 | 5 | 0 | 2 | 5 | 0 | -1 | -1 | 82.84-83.09 |
| Apr-24 | 8 | 4 | 2 | 12 | 20 | 2 | -16 | -2 | 82.68-83.37 |
| May-24 | 24 | 1 | 2 | 19 | 12 | 2 | -10 | -2 | 83.23-83.52 |
| Jun-24 | 16 | 0 | 2 | 18 | 16 | 2 | -16 | -2 | 83.07-83.59 |
| Jul-24 | 24 | 0 | 2 | 17 | 9 | 2 | -9 | 0 | 83.40-83.74 |
| Aug-24 | 16 | 0 | 2 | 23 | 19 | 2 | -19 | -1 | 83.73-83.97 |
| Source: RBI Bulletin | | | | | | | | | |

Market Developments

A. Forex Market Turnover

Table 4: Turnover in Foreign Exchange Market - FCY/INR (USD Billion)

| Period | Purchase | | | | | | Sale | | | | | |
|---------|----------|---------|----------------------|------------|------|---------|----------|---------|----------------------|------------|------|---------|
| | Merchant | | | Inter-Bank | | | Merchant | | | Inter-Bank | | |
| | Spot | Forward | Forward Cancellation | Spot | Swap | Forward | Spot | Forward | Forward Cancellation | Spot | Swap | Forward |
| Q2-FY24 | 276 | 98 | 58 | 856 | 846 | 88 | 274 | 133 | 47 | 831 | 815 | 82 |
| Q3-FY24 | 249 | 68 | 45 | 688 | 832 | 144 | 262 | 77 | 36 | 670 | 821 | 75 |
| Q4-FY24 | 318 | 99 | 73 | 1026 | 912 | 85 | 313 | 129 | 59 | 978 | 859 | 86 |
| Q1-FY25 | 328 | 92 | 73 | 1099 | 798 | 108 | 335 | 127 | 53 | 1064 | 766 | 86 |
| Q2-FY25 | 358 | 97 | 65 | 1081 | 975 | 103 | 357 | 130 | 50 | 1058 | 905 | 76 |

Source: RBI DBIE

Table 5: Turnover in Foreign Exchange Market - FCY/FCY (USD Billion)

| Period | Purchase | | | | | | Sale | | | | | |
|---------|----------|---------|----------------------|------------|------|---------|----------|---------|----------------------|------------|------|---------|
| | Merchant | | | Inter-Bank | | | Merchant | | | Inter-Bank | | |
| | Spot | Forward | Forward Cancellation | Spot | Swap | Forward | Spot | Forward | Forward Cancellation | Spot | Swap | Forward |
| Q2-FY24 | 22 | 24 | 19 | 440 | 141 | 24 | 22 | 25 | 19 | 440 | 141 | 24 |
| Q3-FY24 | 20 | 24 | 23 | 351 | 115 | 18 | 20 | 24 | 23 | 350 | 113 | 18 |
| Q4-FY24 | 19 | 28 | 26 | 474 | 161 | 22 | 19 | 29 | 26 | 472 | 157 | 22 |
| Q1-FY25 | 22 | 24 | 21 | 453 | 163 | 22 | 23 | 24 | 21 | 452 | 158 | 22 |
| Q2-FY25 | 34 | 31 | 29 | 580 | 180 | 23 | 35 | 30 | 29 | 579 | 171 | 23 |

Source: RBI DBIE

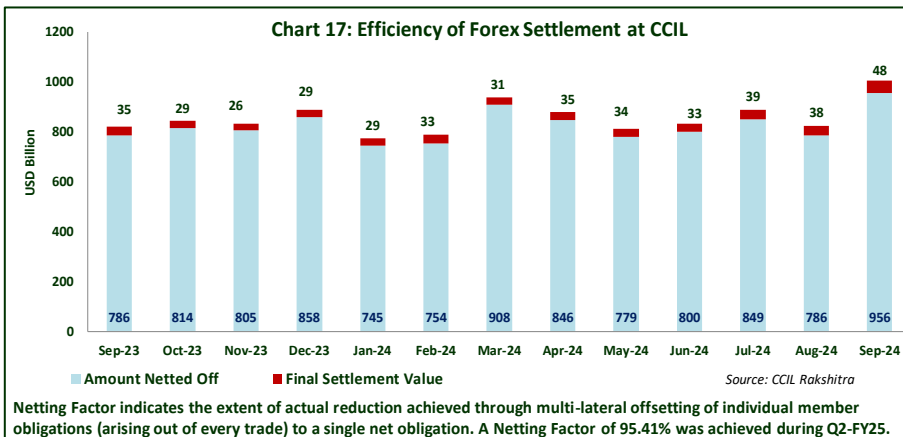
B. CCIL Statistics

i. Forex Settlement at CCIL

Table 6: CCIL Forex Settlement - Gross (Value in USD Billion)

| Period | Cash | Tom | Spot | Forward | Total |
|---------|------|-----|------|---------|-------|
| Q2-FY24 | 346 | 388 | 1129 | 482 | 2345 |
| Q3-FY24 | 376 | 431 | 1219 | 536 | 2562 |
| Q4-FY24 | 342 | 397 | 1257 | 503 | 2500 |
| Q1-FY25 | 361 | 405 | 1262 | 497 | 2526 |
| Q2-FY25 | 473 | 501 | 1333 | 408 | 2715 |

Source: CCIL Rakshitra



ii. CCIL CLS Settlement

CCIL also provides settlement of cross currency trades of Indian banks through the CLS Bank. This is a unique arrangement under which, CCIL aggregates all trades reported by the member banks and enables settlement through a third-party arrangement. A Netting Factor of 92.26% was achieved during Q2-FY25 in the CLS segment.

| Period | Gross Value Settled | Net Value Settled | Netting Factor |
|---------|---------------------|-------------------|----------------|
| Q2-FY24 | 296 | 23 | 92.29% |
| Q3-FY24 | 298 | 22 | 92.49% |
| Q4-FY24 | 349 | 25 | 92.91% |
| Q1-FY25 | 326 | 27 | 91.70% |
| Q2-FY25 | 426 | 459 | 92.26% |

Source: CCIL Rakshitra

| Currency | Q2-FY25 | Q1-FY25 | Q4-FY24 |
|----------|---------|---------|---------|
| USD | 222732 | 161959 | 163198 |
| EUR | 90883 | 69172 | 68968 |
| GBP | 34565 | 34485 | 36116 |
| JPY | 8219282 | 4107327 | 4863470 |
| AUD | 10964 | 10039 | 13923 |
| ZAR | 5803 | 6959 | 4805 |
| CAD | 6030 | 5383 | 4104 |
| SEK | 5445 | 2540 | 2947 |
| SGD | 2270 | 1960 | 1540 |
| NOK | 216 | 254 | 359 |
| NZD | 2479 | 2704 | 3035 |
| CHF | 5276 | 4942 | 4715 |
| HKD | 813 | 871 | 748 |
| DKK | 378 | 660 | 276 |

Source: CCIL Rakshitra

iii. FX-CLEAR

The FX-CLEAR platform for USD-INR Spot, Swap and other transactions offers STP (Straight Through Processing) wherein all these trades are automatically sent to CCIL for guaranteed settlement.

| Period | Total | | Daily Average | |
|---------|--------|--------|---------------|-------|
| | Trades | Value | Trades | Value |
| Q2-FY24 | 131222 | 77042 | 2116 | 1243 |
| Q3-FY24 | 120880 | 87457 | 2015 | 1458 |
| Q4-FY24 | 132168 | 81792 | 2240 | 1386 |
| Q1-FY25 | 154247 | 117372 | 2706 | 2059 |
| Q2-FY25 | 198516 | 189207 | 3151 | 3003 |

Source: CCIL Rakshitra

iv. Forex Forward Settlement

| Period | Accepted | | Outstanding at Quarter End | |
|---------|----------|--------|----------------------------|--------|
| | Trades | Volume | Trades | Volume |
| Q2-FY24 | 24672 | 491 | 47624 | 660 |
| Q3-FY24 | 29445 | 603 | 49426 | 727 |
| Q4-FY24 | 28290 | 519 | 50063 | 731 |
| Q1-FY25 | 20407 | 375 | 44262 | 608 |
| Q2-FY25 | 23085 | 410 | 44819 | 610 |

Source: CCIL Rakshitra

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