



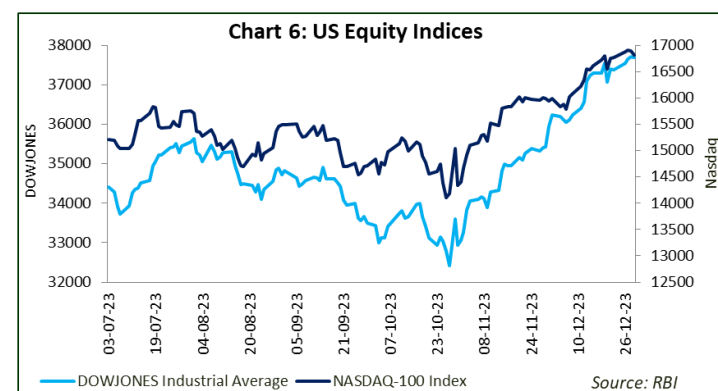
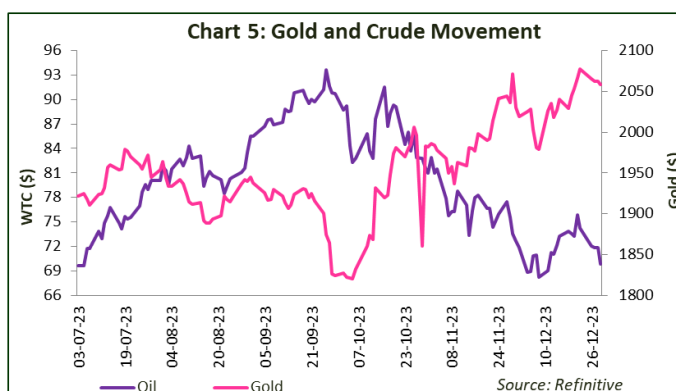
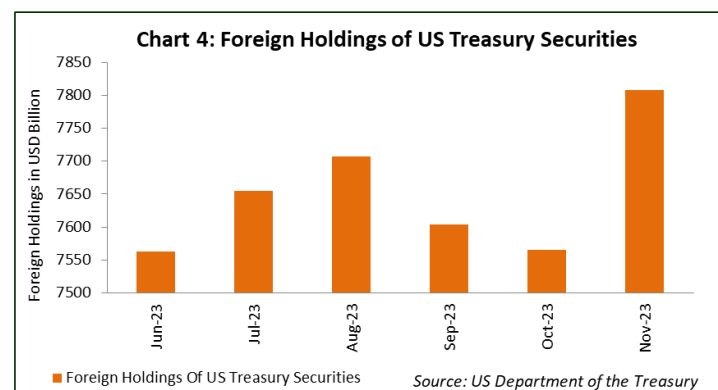
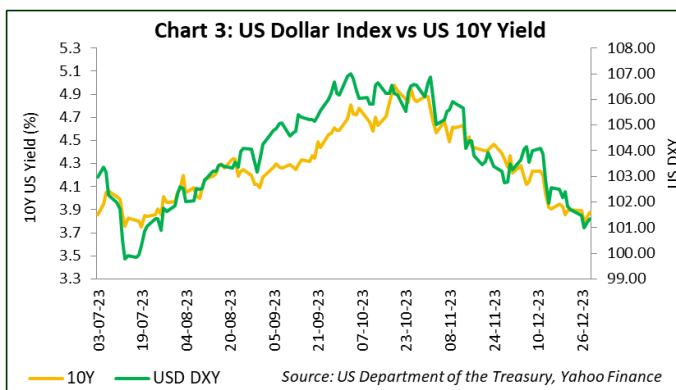
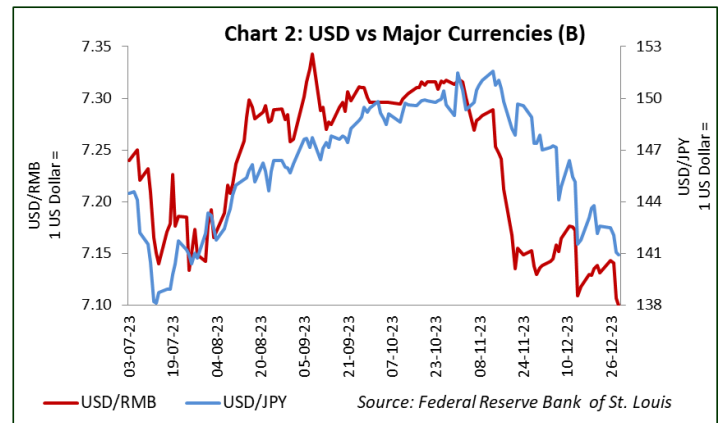
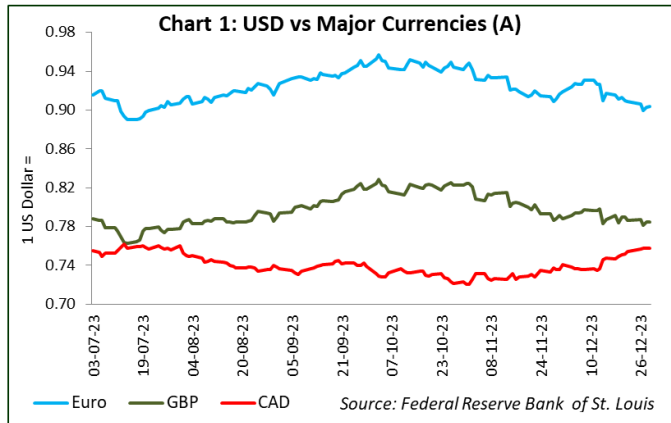
CCIL FOREX QUARTERLY

OCTOBER - DECEMBER 2023



International Developments

The US Federal Reserve's pivot from its "higher for longer" interest rate strategy pulled down US yields from their multi-year highs breached in October 2023. The Fed's indicated trajectory of sharp rate cuts over calendar 2024 triggered a global year-end rally in bonds, equities and gold, weighing on the US Dollar which registered an annual decline. Despite tensions escalating in the Red Sea due to the ongoing Gaza conflict and production cuts, crude oil prices remained subdued on account of growing concerns about demand from a slowing Chinese economy. High yields amid rising geopolitical volatility boosted foreign demand for US treasuries in November 2023.



Domestic Developments

A. Reference Rates and Indices

Overall the Indian Rupee (INR) was one of the most stable currencies in calendar 2023 despite multiple headwinds from geopolitical tensions, spiking US yields and volatile foreign capital flows largely due to RBI's active intervention on both sides. This also resulted in the INR moving within a narrow band in Q3-FY24 despite robust foreign inflows and improvement in macro parameters. Forward premia rates largely tracked the retreat in US yields from their multi-year highs in mid-October. The decline in the Dollar and US yields following the Fed's dovish December policy widened the India-US spread from their record lows of October, giving a further boost to the strong FPI inflows.

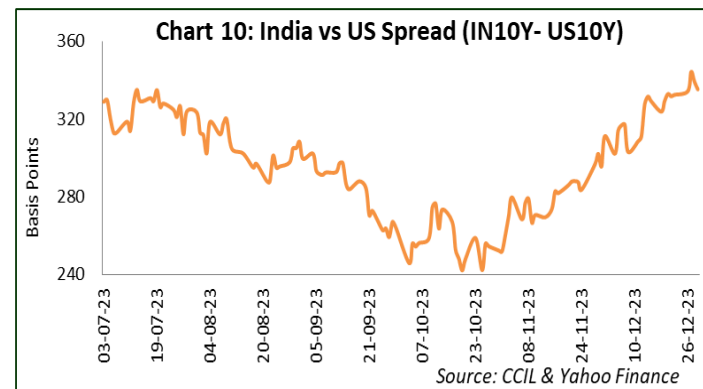
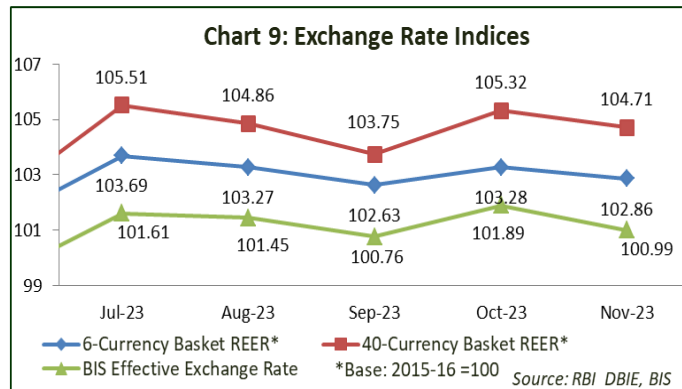
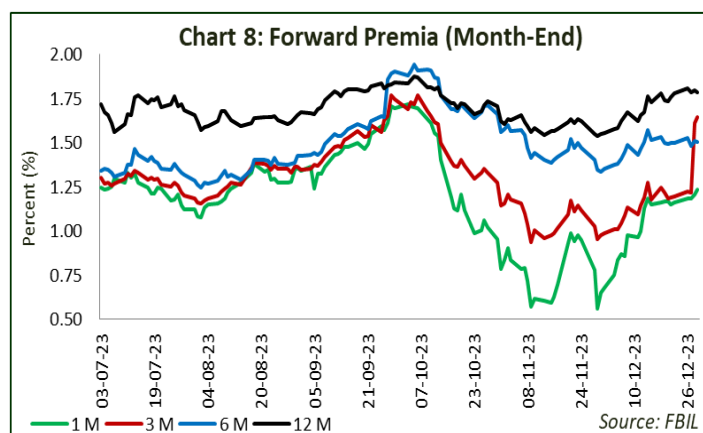
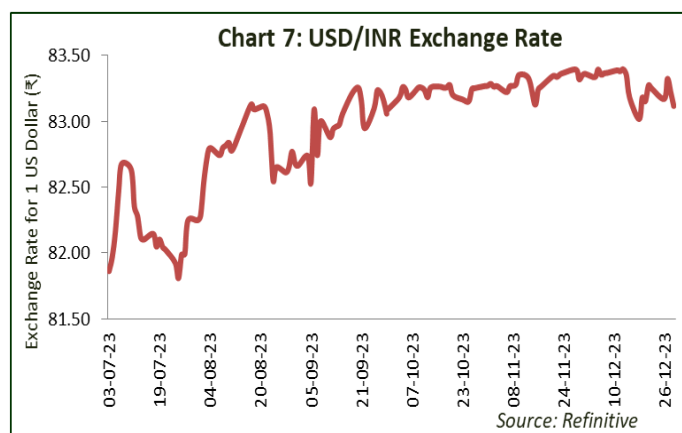


Table 1: Cross-Currency Movement Against IMF's SDR

Month	Currency units per SDR							
	Euro	Japanese Yen	Great Britain Pound	US Dollar	Indian Rupee	Chinese Yuan	Brazilian Real	South African Rand
Jul-23	1.21830	189.24700	1.04383	1.34294	110.45400	9.59840	6.36671	23.78570
Aug-23	1.22372	194.26500	1.04885	1.32994	109.95700	9.69518	6.54506	24.85260
Sep-23	1.24125	196.51000	1.07192	1.31498	109.12000	9.57753	6.58410	24.70050
Oct-23	1.23753	196.39800	1.07915	1.31414	109.42700	9.61714	6.64545	24.70790
Nov-23	1.21973	195.96600	1.05477	1.33329	111.12900	9.50805	6.57964	24.97610
Dec-23	1.21753	190.45400	1.05381	1.34208	111.49100	9.58727	6.52426	24.71770
6 Month Trend								

Source: IMF

B. Movement of Capital

Following a subdued start, the Indian capital markets witnessed robust FPI inflows in Q3-FY24, especially in the debt segment on account of the news of inclusion of Indian G-Secs in global bond indices coinciding with a policy reversal in the US which boosted the India-US interest rate differential. As a result, India ended calendar 2023 with the third highest growth in foreign exchange reserves among major reserves holding countries. India's foreign exchange reserves stood at \$617.30 billion on January 5, 2024, the equivalent of 10.6 months of imports projected for FY24 and 97% of total external debt outstanding at end-September 2023 (RBI Bulletin). Capex demand continued to drive ECB registrations primarily by infrastructure and manufacturing firms. The Red Sea crisis has clouded the near-term outlook for merchandise trade deficit that had been narrowing sequentially.

Chart 11: Weekly Movement in FX Reserves

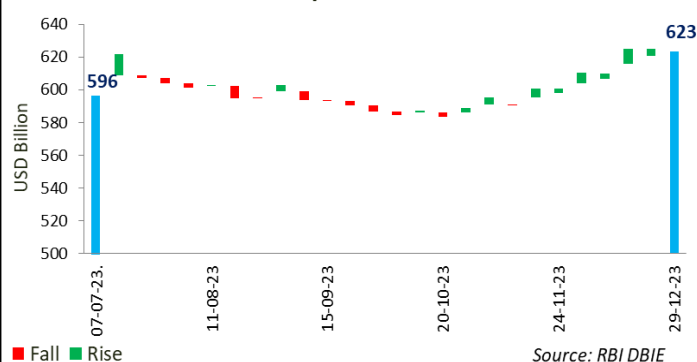


Chart 12: India's Merchandise Trade - Components

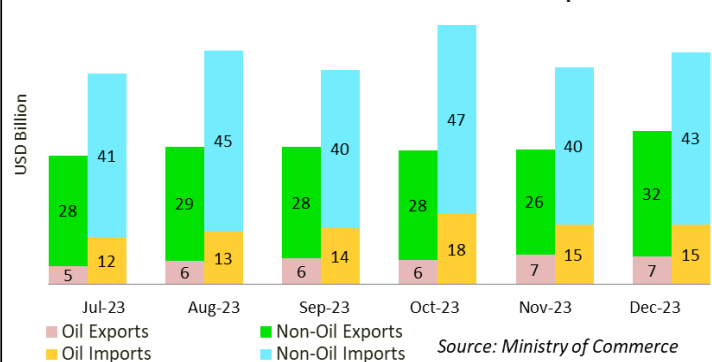


Chart 13: Foreign Investment in India

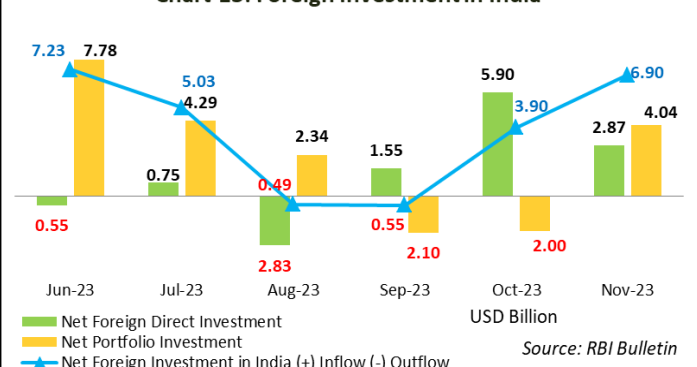


Chart 14: FPI Net Investment in India - BreakUp

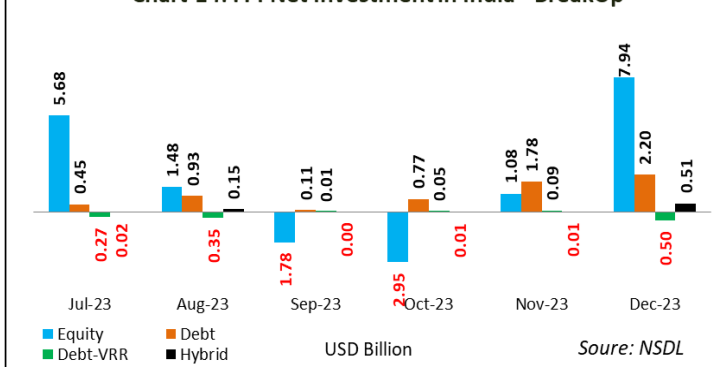


Chart 15: ECBs Registrations - Maturitywise Breakup

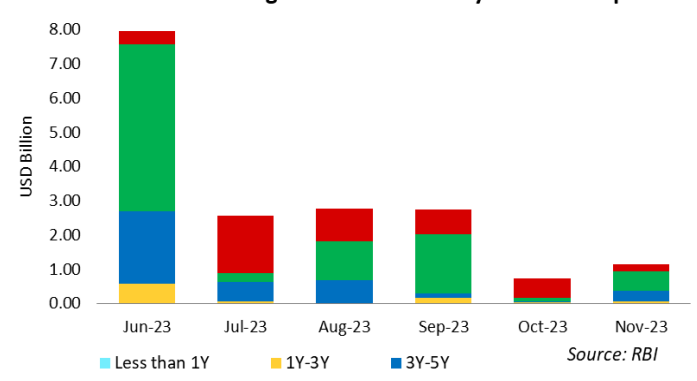
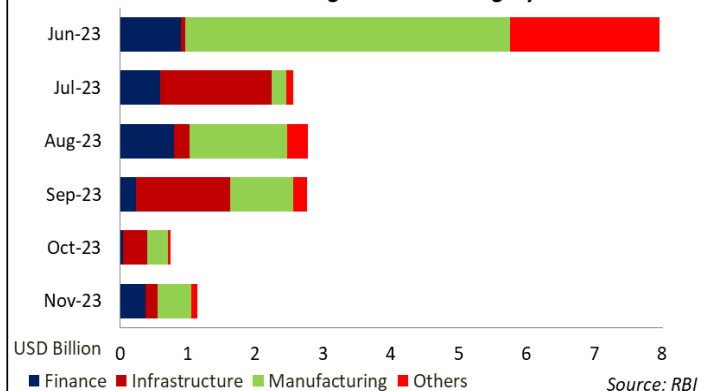


Chart 16: ECBs Registrations - Category of Borrowers



C. Macro Parameters

India's current account deficit (CAD) contracted to 1.0% of GDP in H1-FY24 on the back of a lower merchandise trade deficit. Inflows from portfolio investment, robust services receipts and remittances as well as reduction in valuation loss resulted in an accretion of \$27.0 billion in foreign exchange reserves (on a BoP basis) during H1-FY24. Although India's external debt rose by \$6.40 billion to \$635.30 billion at end-September 2023, RBI has highlighted that key indicators of external sector vulnerability remained at sustainable levels. While crude oil remained India's highest imported commodity in 2023, India's overall trade deficit narrowed to \$69.34 billion in April-December FY24 led by a sharper contraction in imports further supported by India's purchases of cheaper Russian oil. Near-term headwinds to India's overall trade from geopolitical tensions and slowdown in key export destinations are expected to be balanced by the inflows triggered by the addition of Indian G-Secs in global bond indices.

Item/Period	Q2-FY23	Q3-FY23	Q4-FY23	Q1-FY24	Q2-FY24
Current Account	-30.9	-16.8	-1.3	-9.2	-8.3
Goods	-78.3	-71.3	-52.6	-56.6	-61.0
Non-Monetary Gold	-9.8	-8.1	-6.6	-9.7	-12.6
Services	34.4	38.7	39.1	35.1	40.0
Primary Income	-11.8	-12.7	-12.6	-10.6	-12.2
Secondary Income	24.8	28.5	24.8	22.9	25.0
Capital Account	0.0	-0.1	0.0	0.0	0.0
Financial Account	31.8	17.9	0.9	9.9	7.5
Direct Investment in India	6.2	2.0	6.4	7.4	3.1
Portfolio Investment	6.5	4.6	-1.7	15.7	4.9
Reserve Assets	30.4	-11.1	-5.6	-24.4	-2.5
Errors and Omissions	-0.9	-1.0	0.4	-0.7	0.8

*As per IMF BPM6; Source: RBI DBIE

D. Central Bank Intervention

The Indian rupee was one of the most stable EM currencies in calendar year 2023 despite wide swings in foreign capital flows, US yields and the US Dollar on account of RBI's smoothening operations. Data for October-November 2023 shows RBI action in all segments of the currency market. RBI's continued intervention and the INR's narrow movement triggered IMF's reclassification of India's de facto exchange rate regime to "stabilized arrangement" for the period December 2022 to October 2023 after its Article IV review as against the de jure "floating" regime. Reiterating RBI's policy of intervening only to prevent excessive volatility, RBI Governor Shaktikanta Das highlighted the confluence of factors bolstering the INR and expressed confidence in the ability of the Indian economy to absorb the foreign inflows following India's inclusion in global bond indices.

Month	Purchase			Sale			Net Outstanding at month-end Sales (-)/ Purchase (+)		Rupee Range During Month
	Spot	Forwards	Futures	Spot	Forwards	Futures	Forwards	Futures	
Jun-23	8	21	-	3	1	-	19	-	81.88-82.64
Jul-23	5	20	-	2	1	-	19	-	81.81-82.68
Aug-23	1	20	0	4	10	0	10	-	82.28-83.13
Sep-23	28	23	2	29	19	2	5	-2	82.53-83.26
Oct-23	37	15	2	37	29	2	-15	-4	83.15-83.27
Nov-23	35	14	1	37	26	1	-12	-3	83.13-83.39

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
Q3-FY23	245	99	67	782	904	94	245	133	60	775	858	75
Q4-FY23	235	99	68	862	909	92	231	137	58	836	859	73
Q1-FY24	252	94	57	762	846	87	245	128	50	757	821	70
Q2-FY24	276	98	58	856	846	88	274	133	47	831	815	82
Q3-FY24*	228	58	39	623	763	95	242	68	30	610	760	70

Source: RBI DBIE (Q3-FY24 data is till 22-12-2023)

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
Q3-FY23	19	16	14	240	119	22	19	16	14	241	120	22
Q4-FY23	18	19	16	327	132	27	18	19	16	327	132	27
Q1-FY24	21	22	16	408	139	26	21	22	16	408	139	26
Q2-FY24	22	24	19	440	141	24	22	25	19	440	141	24
Q3-FY24*	18	22	20	322	100	16	18	22	20	321	99	16

Source: RBI DBIE (Q3-FY24 data is till 22-12-2023)

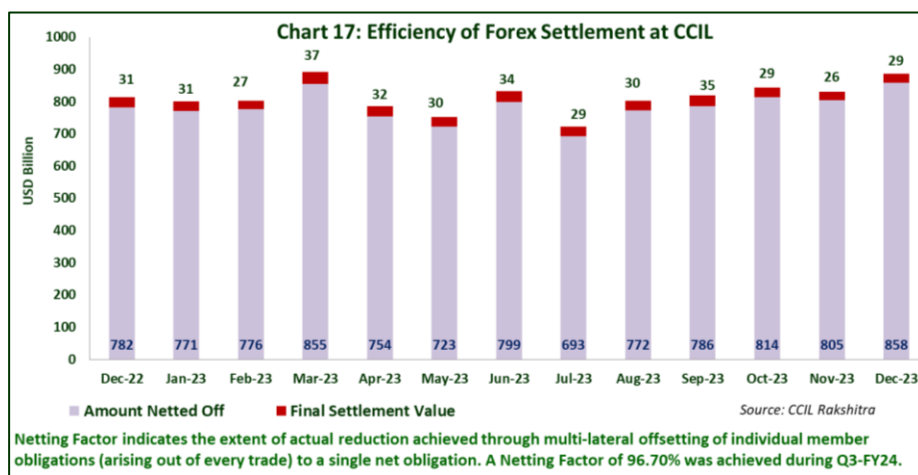
B. CCIL Statistics

i. Forex Settlement at CCIL

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

Period	Cash	Tom	Spot	Forward	Total
Q3-FY23	319	354	1202	540	2416
Q4-FY23	330	369	1205	592	2496
Q1-FY24	318	372	1119	563	2372
Q2-FY24	346	388	1129	482	2345
Q3-FY24	376	431	1219	536	2562

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 92.49% was achieved during Q3-FY24 in the CLS segment.

Period	Gross Value Settled	Net Value Settled	Netting Factor
Q3-FY23	175	17	90.04%
Q4-FY23	201	20	90.31%
Q1-FY24	273	20	92.69%
Q2-FY24	296	23	92.29%
Q3-FY24	298	22	92.49%

Source: CCIL Rakshitra

Currency	Q3-FY24	Q2-FY24	Q1-FY24
USD	144101	145630	133692
EUR	60002	65434	63085
GBP	30605	29031	24140
JPY	4312190	4103491	3555219
AUD	13124	10749	8164
ZAR	5373	4542	4413
CAD	5737	5720	5463
SEK	4176	1428	2600
SGD	1406	1158	1435
NOK	692	460	905
NZD	1867	1512	1792
CHF	5551	4121	2047
HKD	1287	700	742
DKK	195	284	295

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
Q3-FY23	82949	40007	1360	656
Q4-FY23	102805	51248	1685	840
Q1-FY24	95190	46052	1613	781
Q2-FY24	131222	77042	2116	1243
Q3-FY24	120880	87457	2015	1458

Source: CCIL Rakshitra

iv. Forex Forward Settlement

Period	Accepted		Outstanding at Quarter End	
	Trades	Volume	Trades	Volume
Q3-FY23	29158	556	54360	750
Q4-FY23	27982	543	50845	701
Q1-FY24	28751	511	48353	650
Q2-FY24	24672	491	47624	660
Q3-FY24	29445	603	49426	727

Source: CCIL Rakshitra

Disclaimer

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