



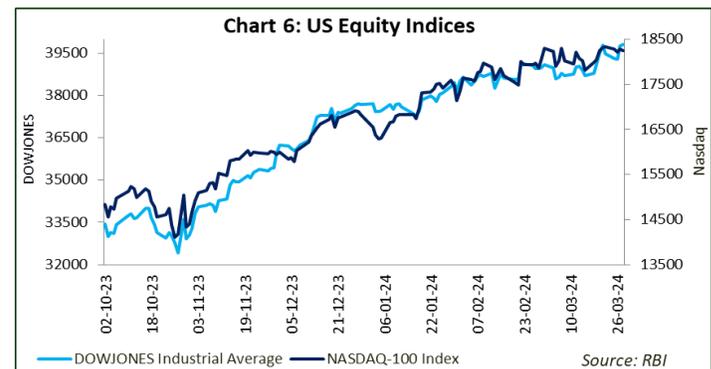
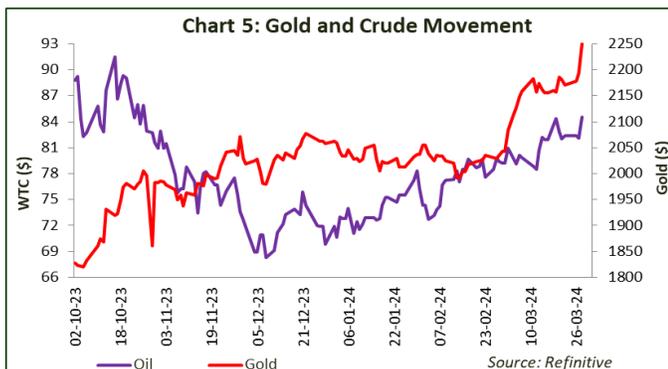
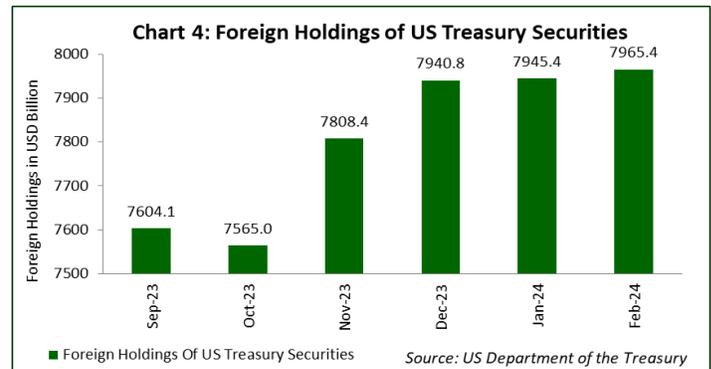
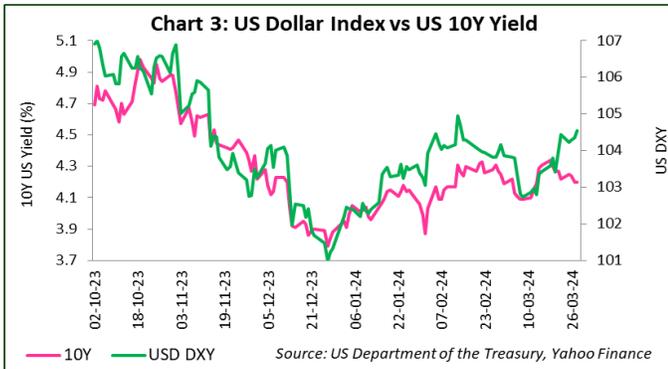
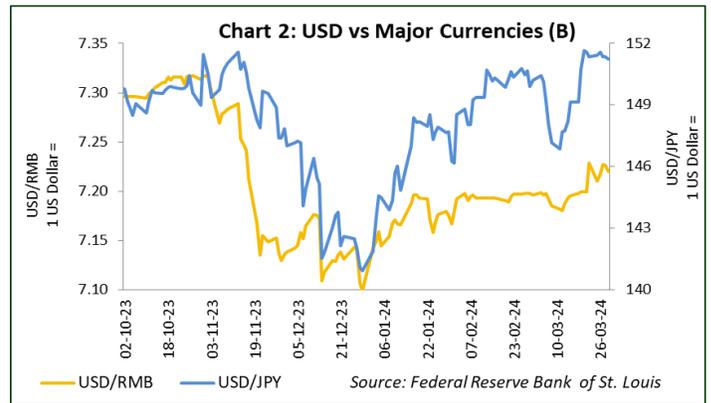
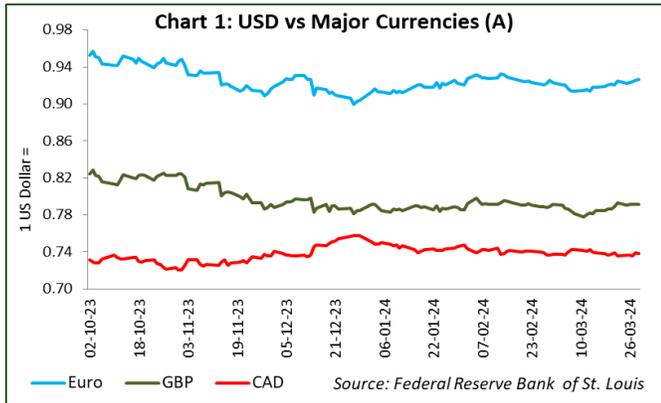
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JANUARY- MARCH 2024



## International Developments

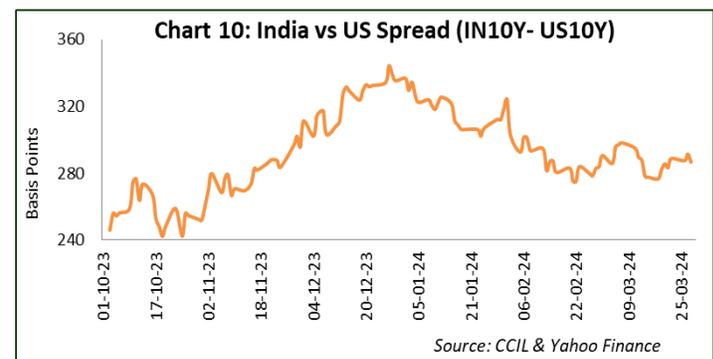
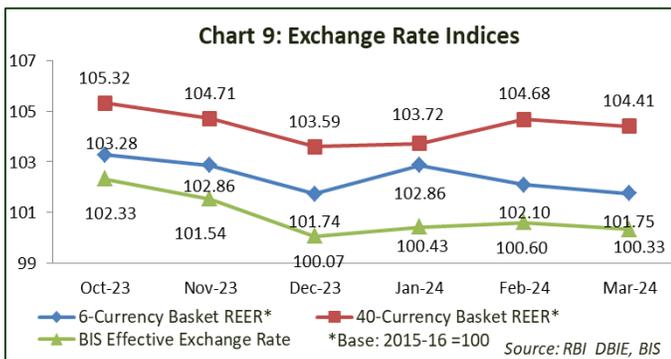
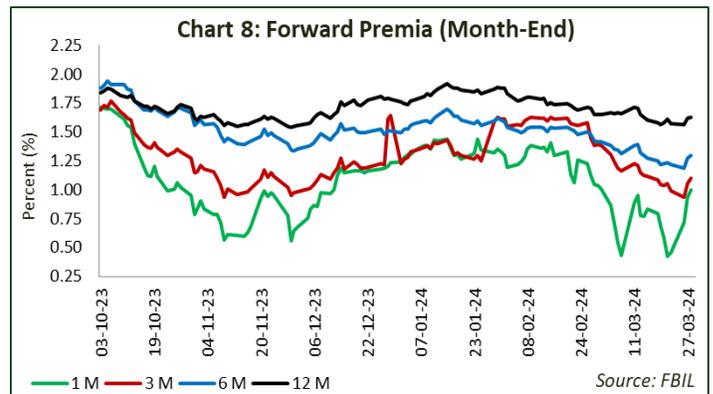
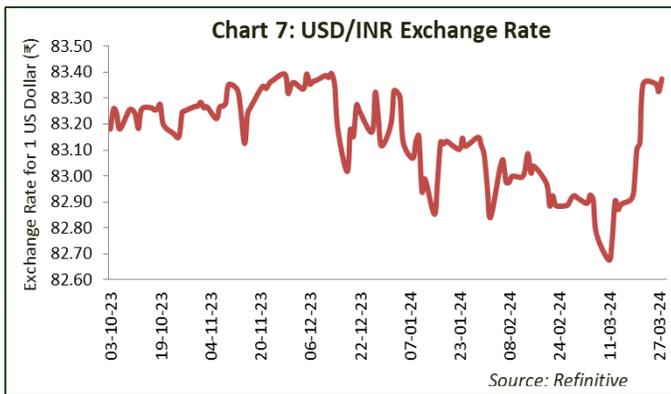
Central bank actions and geopolitical events fueled volatility in global currency markets during Q4-FY24. The US Dollar (USD) rebounded sharply in March, reversing its Q3-FY24 decline, as robust US economic data and persistent inflation led the Fed to reconsider its planned rate cuts trajectory. Escalation of tensions in the Middle East amid production cuts lifted crude oil prices, while continued central bank purchases pushed gold prices to multi-year highs. Safe-haven demand boosted other asset classes like US equities. Despite the Bank of Japan raising interest rates for the first time since 2007, the Japanese Yen declined to multi-decadal lows against the USD. Worsening of the Middle East crisis and the Fed's stance on rate cuts in the last mile of disinflation are going to be the key near-term determinants of currencies and commodity prices.



## Domestic Developments

### A. Reference Rates and Indices

The Indian Rupee (INR) moved within a narrow band in Q4-FY24 despite robust foreign inflows into index-eligible FAR G-Secs on account of RBI's buy side intervention which has resulted in a significant accretion to the foreign exchange reserves. Overall as mentioned by the RBI Governor, the INR was the most stable among major currencies during FY24 reflecting India's sound macroeconomic fundamentals, financial stability and improvements in the external position. The INR depreciated by 1.40% against the USD in FY24 although it outperformed other EME currencies. However, the last fortnight of March witnessed the INR fall to a record low against the USD on account of a selloff by foreign investors and a broad-based weakening of Asian currencies. Forward premia rates largely tracked the narrowing India-US interest rate differential with the persistent inflation in the US pushing back Fed's proposed rate cuts. The INR appreciated 0.30% in terms of RBI's 40-currency REER index in H2-FY24.



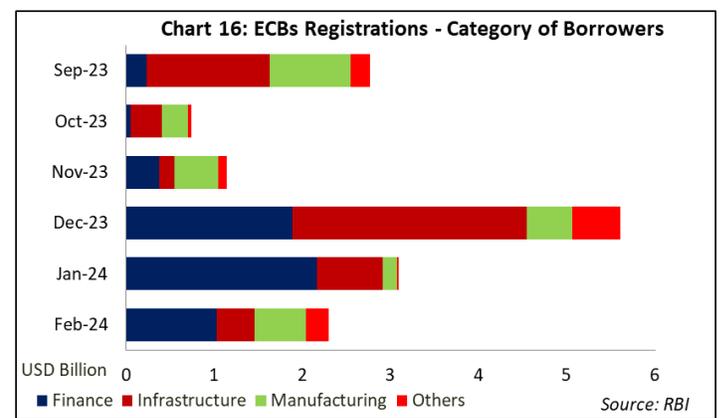
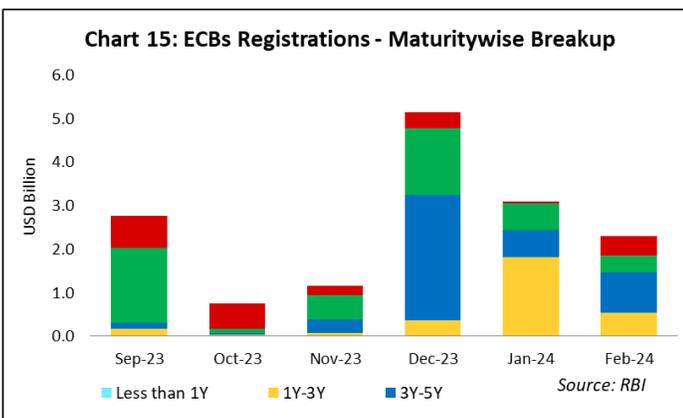
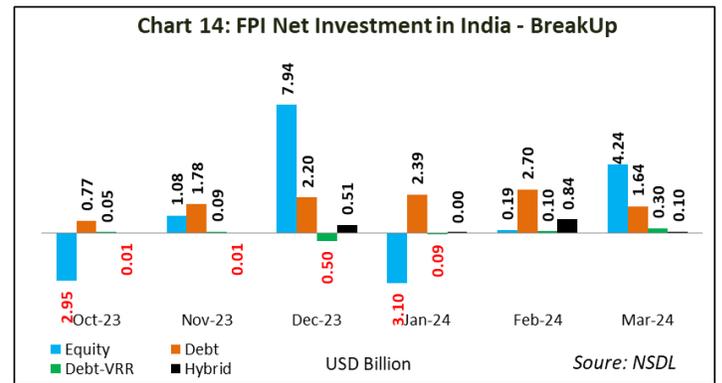
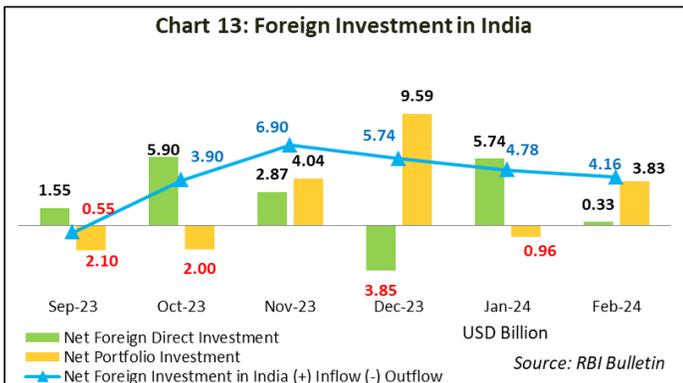
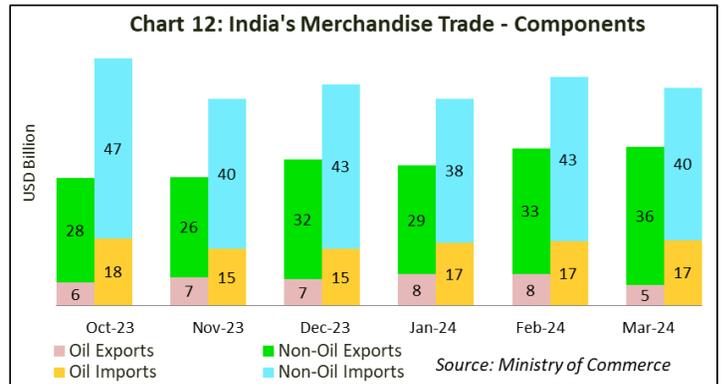
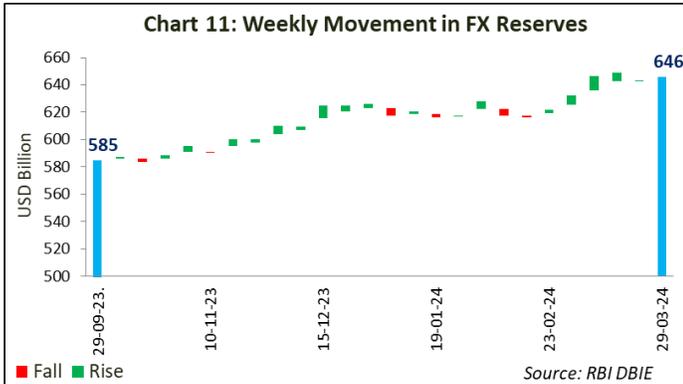
**Table 1: Cross-Currency Movement Against IMF's SDR**

Month	Currency units per SDR							
	Euro	Japanese Yen	Great Britain Pound	US Dollar	Indian Rupee	Chinese Yuan	Brazilian Real	South African Rand
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
Jan-24	1.22717	196.15800	1.04831	1.32988	110.48700	9.54946	6.58679	24.87720
Feb-24	1.22627	199.93100	1.04942	1.32756	110.08800	9.55064	6.61485	25.50980
Mar-24	1.22415	200.26200	1.04930	1.32343	110.33900	9.56361	6.61131	25.13540
6 Month Trend								

Source: IMF

## B. Movement of Capital

Despite tightened global liquidity and elevated interest rates, particularly in the US, India attracted the second-highest net FPI inflows in FY24 since FY15. This surge was driven by strong FPI inflows into debt markets during Q4-FY24, fueled by India's resilient economic growth and the inclusion of FAR G-Secs in global bond indices by J.P. Morgan and Bloomberg. As of March 29, 2024, India's forex reserves stood at \$645.60 billion, providing import cover for 11.3 months and equaling 99.60% of external debt (RBI). India's foreign exchange reserves increased by \$68.0 billion during FY24, reaching an all-time high of \$648.60 billion on April 5, 2024. Capex demand drove 80% of ECB registrations during April-February FY24. The merchandise trade deficit narrowed to \$240.20 billion in FY24 on account of a sharper contraction in imports. For now, the Middle East crisis has clouded the near-term outlook for crude oil prices that have a significant share in India's trade deficit.



## C. Macro Parameters

Despite a wider merchandise trade deficit, India's current account deficit (CAD) narrowed to 1.20% of GDP in Q3-FY24 on the back of robust remittances and foreign investments – both foreign direct investment (FDI) and foreign portfolio investment (FPI) amid resilient services exports. India's external debt-GDP ratio improved in April-December 2023 along with an accretion of \$32.90 billion to the foreign exchange reserves on a BoP basis excluding valuation effects. Despite near-term headwinds from geopolitical tensions, India's economic growth prospects, use of ECBs primarily for capital expenditure, stability of the INR and inclusion of FAR G-Secs in key global bond indices position it well for stronger foreign investments in FY25. Overall, RBI expects the CAD for FY25 to remain at manageable levels.

Item/Period	Q3-FY23	Q4-FY23	Q1-FY24	Q2-FY24	Q3-FY24
Current Account	-16.8	-1.3	-9.1	-11.4	-10.5
Goods	-71.3	-52.6	-56.7	-64.5	-71.6
Non-Monetary Gold	-8.1	-6.6	-9.7	-12.6	-13.7
Services	38.7	39.1	35.1	39.9	45.0
Primary Income	-12.7	-12.6	-10.4	-11.8	-13.2
Secondary Income	28.5	24.8	22.9	24.9	29.3
Capital Account	-0.1	0.0	0.0	-0.1	-0.1
Financial Account	17.9	0.9	9.9	10.6	11.4
Direct Investment in India	2.0	6.4	7.4	3.1	8.4
Portfolio Investment	4.6	-1.7	15.7	4.9	12.0
Reserve Assets	-11.1	-5.6	-24.4	-2.5	-6.0
Errors and Omissions	-1.0	0.4	-0.8	0.9	-0.8

\*As per IMF BPM6; Source: RBI DBIE

## D. Central Bank Intervention

Breaking the trend of 2023, RBI has substantially reduced its intervention in the currency market in 2024. With the INR being supported by narrowing trade deficit and robust foreign investment inflows in the debt segment, RBI paused dollar sales in February and let its March 2022 USD-INR swap mature on March 11<sup>th</sup> injecting ₹42800 crore liquidity into the domestic banking system. For FY24, India recorded the second highest increase in reserves among major foreign exchange reserves holding countries reflecting robust foreign investments and RBI's active intervention. RBI Governor Shaktikanta Das reiterated the RBI's focus on strengthening the national balance sheet by building forex reserves that act as buffers against risks of significant outflow of dollars.

Month	Purchase			Sale			Net Outstanding at month-end Sales (-)/ Purchase (+)		Rupee Range During Month
	Spot	Forwards	Futures	Spot	Forwards	Futures	Forwards	Futures	
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
Dec-23	32	11	1	30	8	1	2	-2	83.02-83.40
Jan-24	10	10	1	8	0	1	10	0	82.85-83.33
Feb-24	9	10	0	0	0	0	10	0	82.84-83.09

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
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	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

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
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	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

Source: RBI DBIE

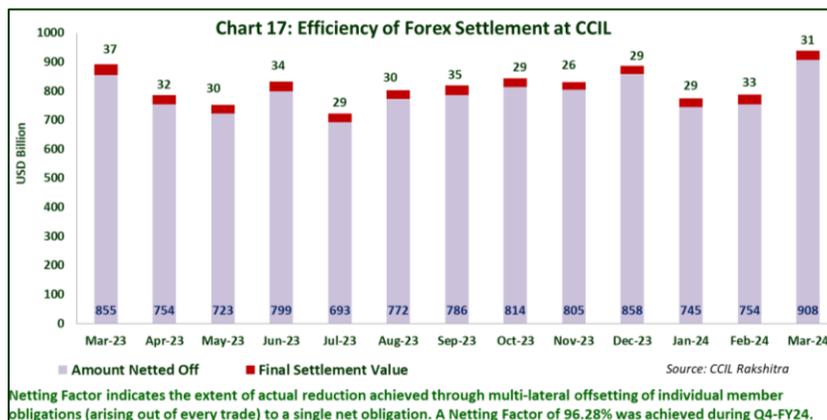
### B. CCIL Statistics

#### i. Forex Settlement at CCIL

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

Period	Cash	Tom	Spot	Forward	Total
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
Q4-FY24	342	397	1257	503	2500

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 92.91% was achieved during Q4-FY24 in the CLS segment.

Period	Gross Value Settled	Net Value Settled	Netting Factor
Q4-FY23	201	20	90.31%
Q1-FY24	273	20	92.69%
Q2-FY24	296	23	92.29%
Q3-FY24	298	22	92.49%
Q4-FY24	349	25	92.91%

Source: CCIL Rakshitra

Currency	Q4-FY24	Q3-FY24	Q2-FY24
USD	163198	144101	145630
EUR	68968	60002	65434
GBP	36116	30605	29031
JPY	4863470	4312190	4103491
AUD	13923	13124	10749
ZAR	4805	5373	4542
CAD	4104	5737	5720
SEK	2947	4176	1428
SGD	1540	1406	1158
NOK	359	692	460
NZD	3035	1867	1512
CHF	4715	5551	4121
HKD	748	1287	700
DKK	276	195	284

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
Q4-FY23	102805	51248	1685	840
Q1-FY24	95190	46052	1613	781
Q2-FY24	131222	77042	2116	1243
Q3-FY24	120880	87457	2015	1458
Q4-FY24	132168	81792	2240	1386

Source: CCIL Rakshitra

## iv. Forex Forward Settlement

Period	Accepted		Outstanding at Quarter End	
	Trades	Volume	Trades	Volume
Q4-FY23	27982	543	50845	701
Q1-FY24	28751	511	48353	650
Q2-FY24	24672	491	47624	660
Q3-FY24	29445	603	49426	727
Q4-FY24	28290	519	50063	731

Source: CCIL Rakshitra

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