

# Currencies Weekly Report

Week of 14.06.2021

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June 14, 2021

## Global Economic Review & Outlook

The week gone was looked at as a week that may provide directional and range shifts to the major currencies. Market participants spent the whole week awaiting for the ECB policy outcome and U.S. CPI report and both happened to be non-events as far as FX is concerned, ofcourse except a few swings in Euro & Pound against the Dollar but kept the pairs more or less at same levels.

Friday's U.S. session however, brought back the volatility and moved the Dollar higher against the Euro, Pound and a few other currencies.

As for the ECB, it is rare the central bank will act ahead of the U.S. Federal Reserve.

The ECB maintained the current pace of bond purchases and pushed forward the decision on scaling down the flow of buying into September. The ECB's stance suggests higher yields will have to wait for a bit longer. Talking about the Fed, it has made clear that it will be keeping rates low and stimulus flowing for the foreseeable future.

Last month we even heard a few policymakers and governors mentioning about starting to discuss the timings of tapering.

With the Fed meeting in the upcoming week, setting aside the fact that interest rates hikes won't rise soon, all focus is on the timing of when the central bank will taper its asset purchase program.

The Fed funds futures continue to discount an approximate 10% chance of a change in Fed rates each month through Jan 22. Liquidity drain continues thanks to record high reverse repo volumes across Fed's open markets desk. Without a corresponding rise in US Treasury yields, we're effectively starting off on the course of a tantrumless taper.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	14069.42	13814.49	1.85
DOW JONES	34479.60	34756.39	-0.80
NIKKEI	28948.73	28941.52	0.02
HANGSENG	28842.13	28918.10	-0.26
CAC	6600.66	6515.66	1.30
DAX	15693.27	15692.90	0.00
FTSE	7134.06	7069.04	0.92
FX	Last Close	Previous Week	% CHANGE
DX	90.51	90.14	0.41
EURUSD	1.2108	1.2166	-0.48
GBPUSD	1.4113	1.4154	-0.29
USDJPY	109.67	109.52	0.14

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	72.8087	72.8419	72.9769	72.9947	72.9844
EURINR	88.5087	88.7209	88.9068	88.8418	88.9831
GBPINR	102.7942	103.1349	103.3878	103.0121	103.5079
JPYINR	66.49	66.55	66.69	66.67	66.70

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	72.9300	73.4300	74.2200	75.0250	75.9000
Tuesday	73.0150	73.5150	74.3100	75.1000	75.9550
Wednesday	73.1000	73.6175	74.4175	75.2225	76.1150
Thursday	73.1550	73.6775	74.5000	75.3150	76.2100
Friday	73.1675	73.6975	74.5125	75.3375	76.2375

## Dollar Outlook

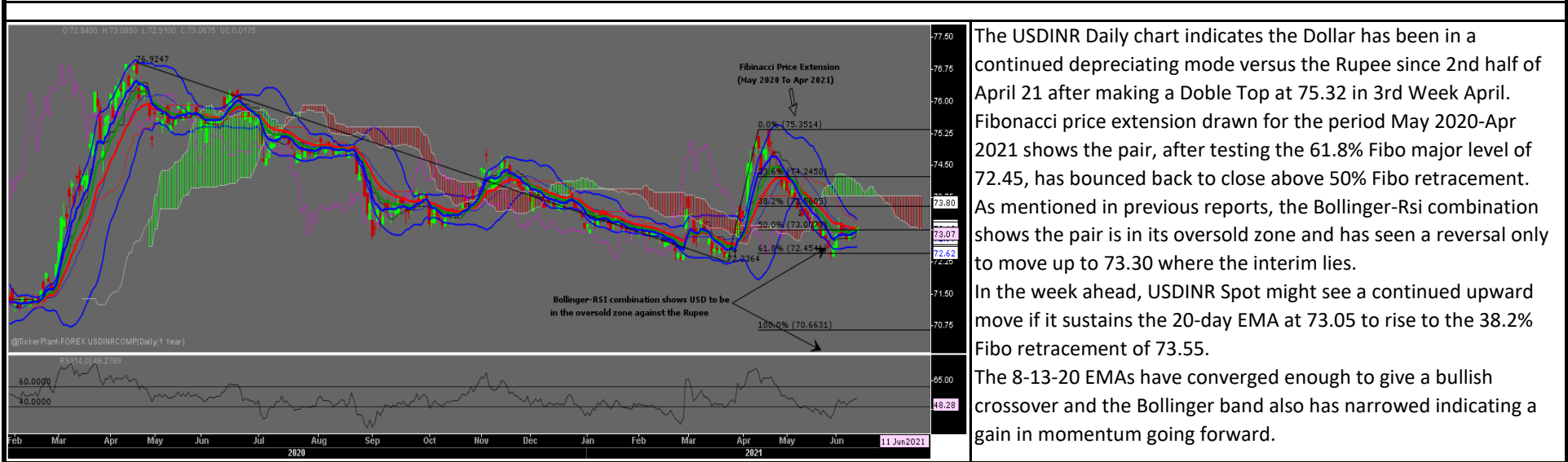
US Treasury yields have dropped to multi-month lows, and with inflation expectations still high, the erosion of US real yields stands to be a negative influence on US Dollar price action.

The June Federal Reserve meeting is likely to formally kickoff taper talk.

The US Dollar lacked strength in the wake of the May US nonfarm payrolls report, failing to gain any significant upside traction through the past week, even around the May US inflation report. The DXY did manage to gain +0.42% over the past five days, its best weekly performance since the last week of April. But markets seem to have full faith in the Federal Reserve's point of view that rising price pressures are transitory.

With the May US nonfarm payrolls report and May US inflation report in the rearview mirror, there's not much by way of data releases.

We have Retail sales report along with the industrial production data for the month of May, which might sprinkle a little momentum in the Dollar.



The USDINR Daily chart indicates the Dollar has been in a continued depreciating mode versus the Rupee since 2nd half of April 21 after making a Double Top at 75.32 in 3rd Week April. Fibonacci price extension drawn for the period May 2020-Apr 2021 shows the pair, after testing the 61.8% Fibo major level of 72.45, has bounced back to close above 50% Fibo retracement. As mentioned in previous reports, the Bollinger-Rsi combination shows the pair is in its oversold zone and has seen a reversal only to move up to 73.30 where the interim lies.

In the week ahead, USDINR Spot might see a continued upward move if it sustains the 20-day EMA at 73.05 to rise to the 38.2% Fibo retracement of 73.55.

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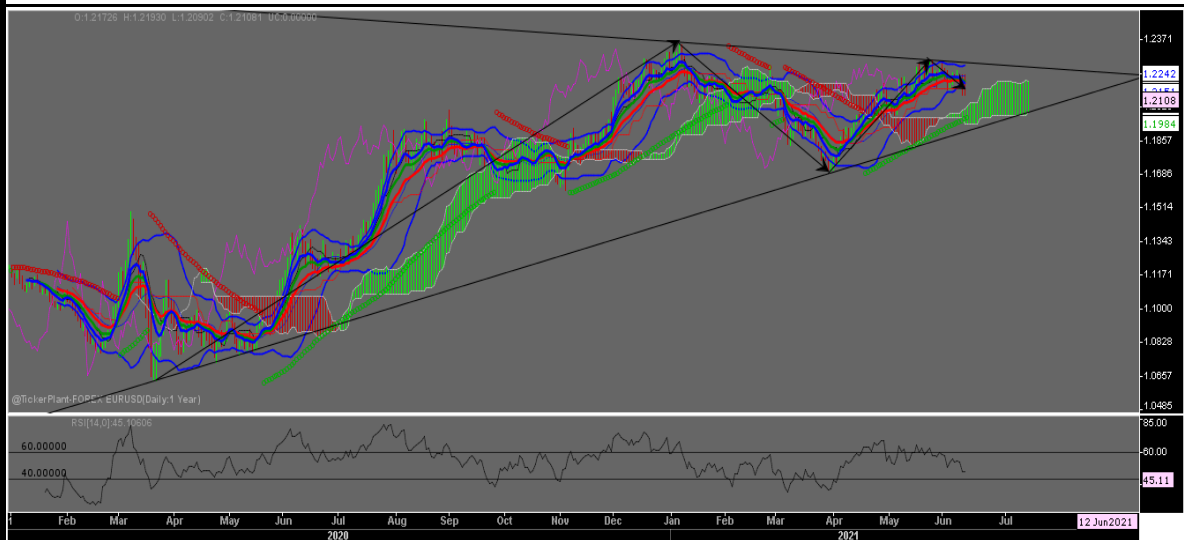
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish	Buy 72.90/80 SL 72.50 TGT 73.40-73.80								72.50 - 73.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		71.84	72.22	72.59	72.83	72.97	73.21	73.35	73.73	74.10	
Exporters Strategy	Exporters are suggested to maintain stop for any unhedged June receivables at 72.00 (SPOT) targetting 73.50 & 73.80. Most exposure has already been advised to be covered in April.										
Importers Strategy	Importers wre suggested to hedge 60% exposure for June at around 72.40 (SPOT) levels & maintain stops at 73.00 for for the remaining 40% which has been triggered.										

## Euro Outlook

The start of the coming week will be spent waiting for the Federal Reserve's interest rate decision Wednesday, its economic projections and press conference. The coming week will be dominated by hopes for guidance on US monetary policy by the FOMC, just as the past week was dominated by US inflation data and the latest meeting of the ECB.

just as some in the markets were disappointed not to hear any hints on when the ECB will begin tapering its various monetary-stimulus programs, the Fed could be equally disappointing.

Nothing worth paying attention is due on the weekly economic calendar in the Eurozone and hence if at all the Euro sees some movements against other currencies, those would not be because of the Euro itself.



The EURUSD Daily chart indicates the Euro has been in a continued appreciating mode versus the Dollar since beginning of April 21 after finding a strong support at 1.17 at the end of March, which, however, has halted earlier after finding a Triangle resistance around 1.2266.

The pair also slipped below the 8-13-20 EMAs which have emerged into a bearish crossover last week.

EURUSD now approaches the bullish ichimoku cloud only to breach it in the downside to confirm a continued selling in the pair with bullish Parabolic SAR penetrating the cloud too.

1.20 shall act as a strong psychological support and any corrections near 1.2050/30 might see traces of buying.

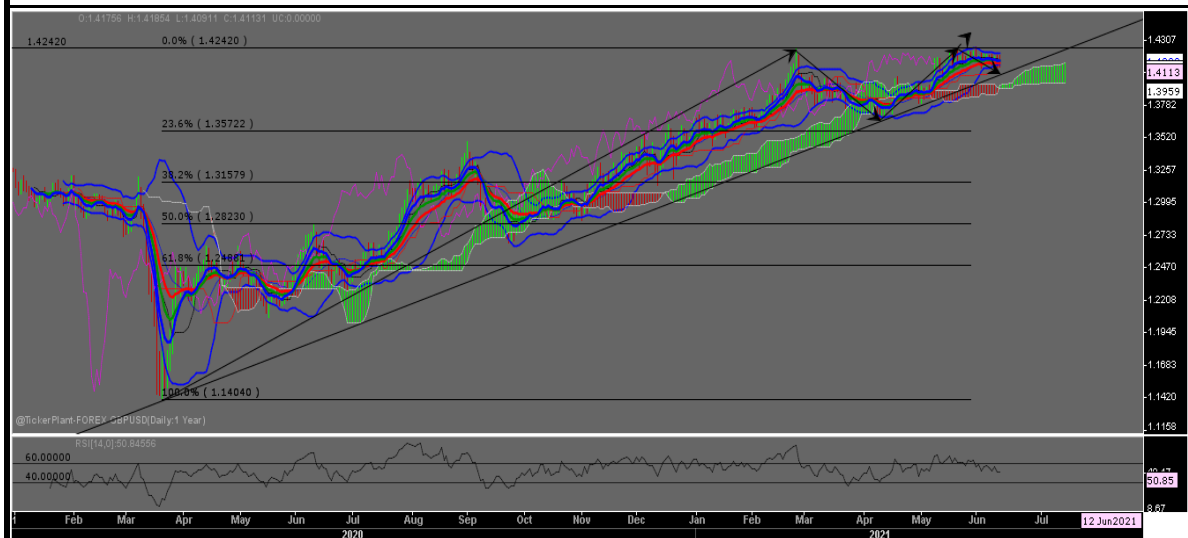
This week, we expect further correction in the Euro and any rise around 1.2160/80 should be used to go short on the pair for targets of 1.2100 & 1.2060.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.2160/80 SL 1.2210 TGT 1.2100-1.2060				Sell 88.80-89.10 SL 89.40 TGT 88.20-87.60				1.2010-1.2200   87.40-89.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		86.96	87.56	88.15	88.47	88.75	89.07	89.35	89.95	90.54	
Exporters Strategy	Exporters were advised to hedge 50% around 88.50 & maintain strict stops at 87.80 on Spot for the remaining 50% of the June exposure targetting 89.00 & 89.30.										
Importers Strategy	Importers are suggested maintain stops at 89.50 on Spot targetting 87.80 to start partially hedging their June exposures.										

## British Pound Outlook

As we look ahead to next week, UK PM Johnson's press conference on plans for the final stage of reopening the economy will be announced and given the recent reports in UK press, it is expected that UK will delay reopening for another 2-4 weeks.

This week, UK employment and inflation figures will be released. Although, in what has been a common theme in recent weeks, data is unlikely to stir much in the way of volatility. Monthly Retail sales data too is due in the UK on the weekend which is forecasted much lower than earlier reading.



The pair in the past week seems to have been held back below the major resistance of an ascending triangle pattern and Upper Bollinger band, following which is now expected to see a correction to fall between the ascending triangle support (bottom) around 1.4020 and Ichimoku cloud support of 1.3950.

Suggest to go short on the pair with Stops placed above 1.4240 for targets of 1.4080 & 1.4000.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.4170/90 SL 1.4250 TGT 1.4080-1.4000				Sell 103.40/50 SL 103.80 TGT 102.90-40				1.4000-1.4180   101.80-103.70		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		100.75	101.57	102.39	102.88	103.21	103.70	104.04	104.86	105.68	
Exporters Strategy	Exporters wre suggested to hedge their June exposure partially (50%) around 103 earlier & pending to be booked at 103.50 Spot levels last week which has been triggered.										
Importers Strategy	Importers are suggested to maintain a strict Stop above 103.80 on Spot targetting lower levels of 102.50 to start hedging their June exposure .										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
14.06.2021	06:30 PM	GBP	BOE Gov Bailey Speaks		
15.06.2021	05:45 PM	GBP	BOE Gov Bailey Speaks		
	06:00 PM	USD	Core Retail Sales m/m	0.4%	-0.8%
		USD	PPI m/m	0.5%	0.6%
		USD	Retail Sales m/m	-0.6%	0.0%
		USD	Core PPI m/m	0.5%	0.7%
	06:45 PM	USD	Industrial Production m/m	0.6%	0.7%
16.06.2021	11:30 AM	GBP	CPI y/y	1.8%	1.5%
	08:00 PM	USD	Crude Oil Inventories		-5.2M
	11:30 PM	USD	FOMC Economic Projections		
		USD	FOMC Statement		
		USD	Federal Funds Rate	<0.25%	<0.25%
17.06.2021	12:00 AM	USD	FOMC Press Conference		
	06:00 PM	USD	Philly Fed Manufacturing Index	31.2	31.5
		USD	Unemployment Claims	360K	376K
18.06.2021	Tentative	JPY	Monetary Policy Statement		
	11:30 AM	GBP	Retail Sales m/m	1.6%	9.2%
	Tentative	JPY	BOJ Press Conference		

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