

Currencies Weekly Report

Week of 06.03.2023

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Global Economic Review & Outlook

It is a very busy week ahead, atleast in the U.S. The two main events are Fed Chair Powell's semi-annual testimony to Congress and the U.S. nonfarm payroll report.

Christine Lagarde's appearance in the middle of next week will be highly anticipated following the February inflation data.

UK GDP data on Friday is probably the only notable event on the calendar for the Sterling.

Powell's two days at Capitol Hill will undoubtedly draw scrutiny from lawmakers as more tightening will raise the risk this economy is recession bound. Traders will look to see how hawkish Powell will remain given the mostly strong data, recently.

Biden is also expected to release his budget for fiscal 2024, which might include higher taxes. Republicans are calling for sharp spending cuts which is not expected to be in this version. Raising the US debt limit will start to draw attention, but this is still an early stage.

The ECB President has insisted repeatedly that the central bank has a lot more to do, and the latest inflation figures – especially the core which unexpectedly spiked to a new high – will reinforce that.

The UK avoided a recession in the second half of last year and everyone will be looking for early signs of the economy performing better again at the start of 2023.

India's January Industrial production seen improving from 4.3% to 5.6%.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11689.01	11394.94	2.58
DOW JONES	33390.35	32817.05	1.75
NIKKEI	27927.47	27453.48	1.73
HANGSENG	20567.54	20010.04	2.79
CAC	7348.12	7187.27	2.24
DAX	15578.39	15209.74	2.42
FTSE	7947.11	7878.66	0.87
FX	Last Close	Previous Week	% CHANGE
DX	104.53	105.26	-0.69
EURUSD	1.0632	1.0545	0.82
GBPUSD	1.2040	1.1940	0.84
USDJPY	135.80	136.49	-0.51

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.9145	82.6816	82.5467	82.5555	82.2643
EURINR	87.4085	87.5471	87.4995	87.8302	87.3241
GBPINR	99.0121	99.6010	99.4732	98.9532	98.5208
JPYINR	60.84	60.68	60.55	60.40	60.27

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.9700	83.3550	83.7700	84.1750	84.5800
Tuesday	82.7800	83.1700	83.5900	83.9900	84.4050
Wednesday	82.6150	82.9975	83.4200	83.8300	84.2450
Thursday	82.6900	83.0625	83.4800	83.8750	84.2875
Friday	82.0525	82.4225	82.8450	83.2550	83.6750

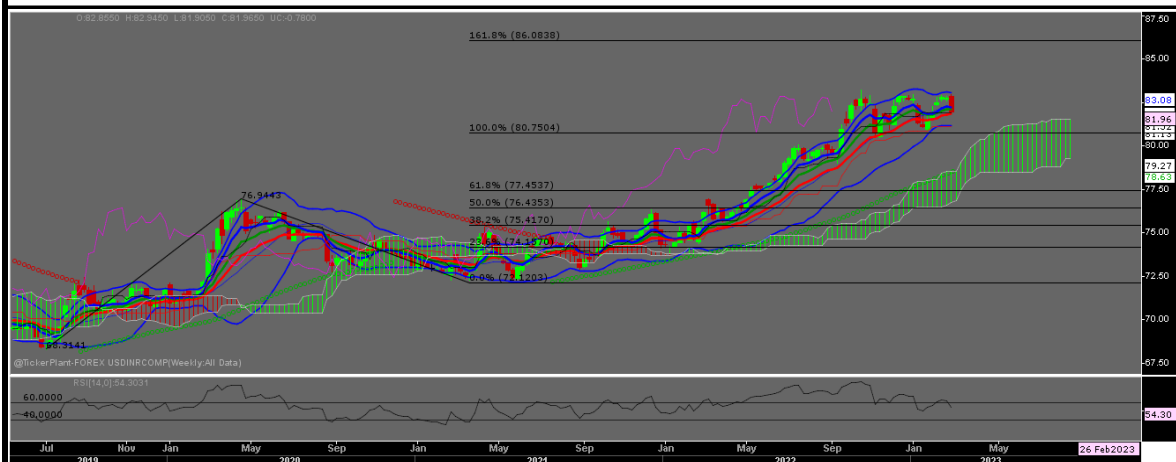
Dollar Outlook

The US Dollar aimed slightly lower this past week, with the DXY Dollar Index falling 0.7%. Traders focussed on comments from Atlanta Fed's Bostic who said that the Fed could perhaps pause hiking rates this summer. Meanwhile, Richmond Fed's Barkin noted that he does not see the case for pausing hikes “at this moment”. Given these comments, it looks like markets are fixating more on the dovish side.

Recent inflation data pointed to slowing disinflation. This was further confirmed by ISM prices paid data this past week, which unexpectedly surprised higher. In other words, the deceleration in inflation is slowing. This is not what the Fed wants to see, especially amid a still-tight labor market.

All eyes are now on the non-farm payrolls report this week. The data is due on Friday. The country is seen adding 215k jobs in February with the unemployment rate holding at 3.4%. However, an upward surprise in the jobs report would likely pour cold water on hopes of pausing tightening this summer. Markets are now pricing in about a 5.5% federal funds rate by year-end. That represents an extra 2 hikes compared to estimates at the end of January. As such, more dovish disappointment is opening the door to a stronger US Dollar.

Thus, the weakness in Dollar could be short-lived, even against the Rupee and Importers should sufficiently hedge their payments due this month.



The USDINR Weekly chart indicates the pair began the month with a decent sell-off in the pair, but saw a downward momentum developing towards the end of last week.

USDINR found a strong resistance at the Upper Bollinger and also at the Big figure 83 as mentioned in the last report. Also, a sharp fall in the DOLLar resulted into USDINR testing the 20 Weekly EMA and settle close to the same last week.

As mentioned in previous report, the Bollinger-RSI combination indicated the pair was overbought resulting into correction in USDINR.

A pullback to 82.30 and 82.60 can be used to initiate shorts again in USDINR with Strict Stops above 83.30 which has been a major resistance in the pair.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 82.30 & 82.65 SL 83.30 TGT 81.60-81.25								81.25-82.65		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		79.15	80.19	81.23	81.60	82.27	82.64	83.31	84.35	85.39	
Exporters Strategy	Exporters were advised to hedge 50% of their March exposure between 82.80-83.00 Spot. Pending to be held open with Stop below 82.00. Stop Triggered.										
Importers Strategy	Importers were advised to hold their March exposure open/unhedged with Strict Stop above 83.30 or 83.50 Spot. Partial (50%) hedging can be done between 81.60-81.90 Spot, targetting 81.25 for the pending 50%.										

Euro Outlook

The latest Euro Area inflation data showed price pressures remaining stubbornly high in the Eurozone. The ECB meets in mid-March to announce its next interest rate hike – 50bps already fully priced-in – but it's, where the central bank goes after there? that is causing market volatility. The current rate of 2.50%, soon to be 3.0% on March 16, is now being seen by some as high as 4% by the end of Q2/early Q3 as the ECB doubles down on inflation. President Lagarde does not seem to worry that there is little to no growth in the Euro Area. She continues to make inflation the central bank's overriding priority.

Next week's two heavyweight US economic events, Fed chair Powell's testimony and the delayed US Non-Farm Payrolls report have significant market-moving potential, especially if Powell continues to talk up further rate hikes, while last month's blowout US Jobs Report, more on an annual technicality, will see wide forecasts leaving the EURUSD at risk of highly volatile end of the week trade.

EURUSD trades a little above 1.0600 with little or no inclination to break one way or another. With next week's high-impact US events and the ECB policy decision the week after (March 16), the pair is likely to remain in a tight trading range ahead of Powell's testimony.

Central bank comments warrant higher rate expectations with Lagarde reiterating the ECB might need to continue raising rates also beyond March.



The EURUSD Weekly chart indicates that a week earlier the pair had settled close to the 20-Weekly-EMA after slipping below the 8 & 13-W-EMA, where it found support last week and bounced back again close to 1.07 but closed just a fraction above 1.06. EURUSD still lies inside the bearish Ichimoku cloud and is holding on to the support of the Mid of Bollinger bands which is the 20-WEMA. If it drops below this support around 1.0530 or below 1.05, one can expect a furthermore downside in the pair atleast till it tests the 100% Fibo retracement at 1.0430 as seen in charts. The failure of EURUSD to move past the bearish Ichimoku cloud formation in itself is a major setback for the pair and confirms that the pair is not expected to see an upward trend reversal soon. In the week ahead, one can go short on EURUSD near 1.07.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 1.0700 SL 1.0780 TGT 1.0540-1.0460				Sell 87.25 & 87.60 SL 88.30 TGT 86.55-86.20				1.0460-1.0700 86.20-87.60		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.07	85.13	86.19	86.55	87.25	87.61	88.30	89.36	90.42	
Exporters Strategy	Exporters were advised to hold their March exposure open/unhedged with Strict Stop below 87.00 Spot. Target 88.50 to hedge 50%. Stop Triggered.										
Importers Strategy	Importers were advised to hedge 50% of their March payables at 87.50 & 25% at 87.00 Spot. Pending to be held open with Stop above 88.50 on Spot targetting 86.20.										

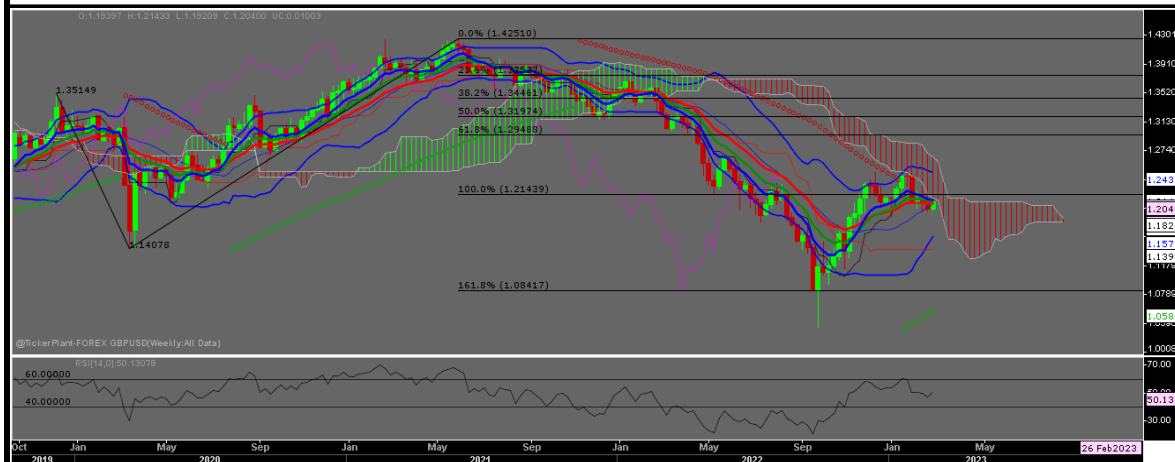
British Pound Outlook

The British Pound found some support last week with UK services data PMI as well as renewed risk appetite after better than expected Chinese PMI figures. Sterling seemed to outperform also as the bulls appeared to be encouraged by the "Windsor Framework," which, if approved, would resolve the problems with the Northern Ireland protocol, would finally give some closure to Brexit, and lay the groundwork for improved relations with the EU. The China re-open story has started to gain traction again allowing risk assets like the GBP to flourish.

The key theme for the week ahead remains in line with data dependency and while the Bank of Engla

From a UK perspective, UK GDP will be in focus and should the actual data reports worse than expected figures, a dip below 0, recessionary fears will be renewed, likely hampering GBP upside.

Needless to say, with a thin calendar for the Pound, it will mostly be guided by the developments in the U.S. that will affect the Dollar.



The GBPUSD Weekly chart indicates the pair has been trading below the lower end of the bearish Ichimoku cloud since it witnessed a sharp selloff at the beginning of February. The pair, a week earlier, had even slipped below the 8-13-20 Weekly EMAs but somehow managed to recover last week to settle near the convergence of these EMAs. Thus there is no negative crossover in the EMAs yet, increasing the pain for Pound. Also, the Bollinger-RSI indicates no relief but a continued selloff in the pair going forward in March. We had predicted 1.1920 and 1.18 could be the near term levels which GBPUSD can test in the weeks to come and the pair has achieved the first target. This week one can go short in parts at 1.2050 & 1.2150.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 1.2050 & 1.2150 SL 1.2250 TGT 1.1950-1.1850				Sell 98.80-99.40 SL 100.60 TGT 97.60-97.00				1.1850-1.2150 97.00-99.40		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		93.23	95.07	96.92	97.55	98.76	99.40	100.61	102.45	104.30	
Exporters Strategy	Exporters were advised to hedge their March exposure (50%) between 100.30-100.50 Spot. Total exposure to be held open with Stop below 98.50 Spot. Stop Triggered.										
Importers Strategy	Importers were advised to hedge partially (50%) at 99.50 & 25% at 99.00 Spot for March. Pending to be held open with Stop above 100.50 Spot, targetting 97.50 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
06.03.2023	03:00 PM	GBP	Construction PMI (Feb)	49.1	48.4
07.03.2023	08:30 PM	USD	Fed Chair Powell Testifies		
		USD	EIA Short-Term Energy Outlook		
08.03.2023	03:30 PM	EUR	ECB President Lagarde Speaks		
	06:45 PM	USD	ADP Nonfarm Employment Change (Feb)	195K	106K
	08:30 PM	USD	Fed Chair Powell Testifies		
		USD	JOLTs Job Openings (Jan)	10.600M	11.012M
	09:00 PM	USD	Crude Oil Inventories		1.165M
09.03.2023	05:20 AM	JPY	GDP (QoQ) (Q4)	0.2%	0.2%
	07:00 PM	USD	Initial Jobless Claims	195K	190K
10.03.2023	08:30 AM	JPY	BoJ Monetary Policy Statement		
	10:30 AM	JPY	BoJ Press Conference		
	12:30 PM	GBP	GDP (MoM) (Jan)	0.1%	-0.5%
		GBP	Manufacturing Production (MoM) (Jan)	-0.2%	
		GBP	Monthly GDP 3M/3M Change (Jan)	-0.1%	-0.3%
		EUR	German CPI (YoY) (Feb)	8.7%	8.7%
	07:00 PM	USD	Nonfarm Payrolls (Feb)	200K	517K
		USD	Unemployment Rate (Feb)	3.4%	3.4%
	08:30 PM	EUR	ECB President Lagarde Speaks		

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