

Currencies Weekly Report

Week of 10.10.2022

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October 10, 2022

Global Economic Review & Outlook

A couple of weak economic indicators will not make the FED pivot. They still have a long way left in the fight with inflation. This means a belief in rate cuts is misplaced and there is no scope of a rally in risk assets anytime soon.

While the Fed was clearly wrong assuming high inflation was transitory, the market has so far been very wrong in assuming a Fed pivot.

In the Eurozone, the terms-of-trade shock spurred a dramatic shift in the trade balance. September trade figures are reported on October 14.

More and more of the world's central banks are turning to currency interventions to keep their currencies from weakening. While each central bank is saving its currency, they are all working together to undermine the Dollar's value by increasing its global supply.

The U.S. labor market is still strong. The September unemployment rate fell back to the cyclical low of 3.5%. Weekly initial jobless claims fell to five-month lows at the end of September.

The BOE is critical. The market paid attention when BOE said it may buy as much as GBP5 bln a day. The Financial Policy Committee meets on Oct. 12, where the BOE's intentions might be clear.

The hawkish rhetoric by the BoE after Kwarteng's mini-budget fanned speculation of an exceptionally large hike of 150 bp in Nov. 3 meeting. The ECB shows little interest in carrying out a restrictive policy, and we will see if the Governing Council implements a smaller rate hike at next meeting on Oct. 27.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	10652.41	10575.62	0.73
DOW JONES	29297.25	28730.12	1.97
NIKKEI	27116.11	25937.21	4.55
HANGSENG	17740.05	17222.83	3.00
CAC	5866.94	5762.34	1.82
DAX	12273.00	12114.36	1.31
FTSE	6991.09	6893.81	1.41
FX	Last Close	Previous Week	% CHANGE
DX	112.79	112.12	0.60
EURUSD	0.9740	0.9802	-0.62
GBPUSD	1.1094	1.1160	-0.59
USDJPY	145.38	144.73	0.45

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	81.7417	81.4267	--	81.7044	82.4000
EURINR	80.2409	80.2677	--	80.9603	80.5460
GBPINR	91.8106	92.4714	--	92.5221	91.6942
JPYINR	56.41	56.22	--	56.53	56.82

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.0525	82.4925	83.0225	83.6225	84.1125
Tuesday	81.6900	82.1150	82.6450	83.2475	83.7550
Wednesday	--	--	--	--	--
Thursday	82.0175	82.4450	82.9750	83.5825	84.0900
Friday	82.4750	82.9500	83.5100	84.1550	84.6900

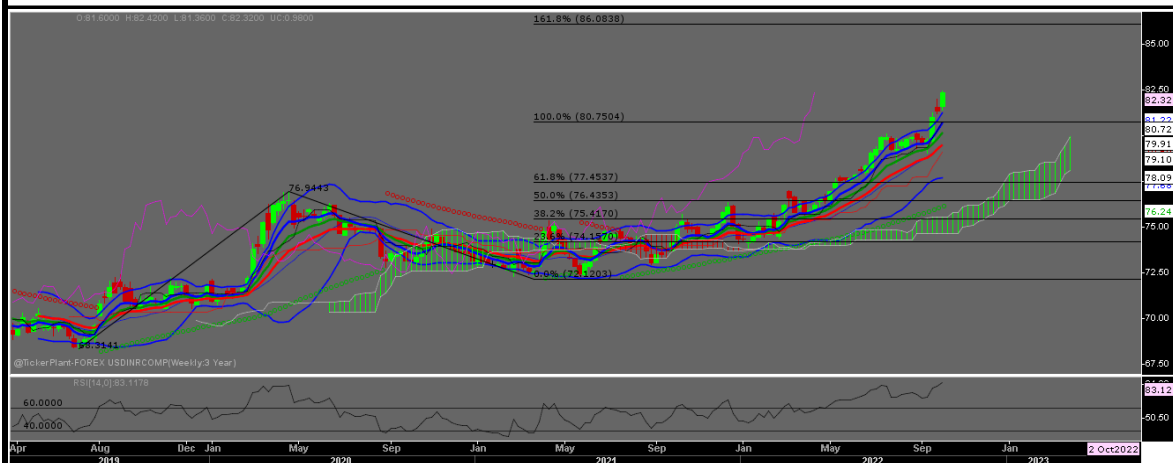
Dollar Outlook

After the focus temporarily being on labour market, it is now all about inflation data. The Fed is primarily concerned with what is happening with inflation. Markets will first get a look at producer prices on Wednesday and then CPI the next day. August data showed high inflation remains well-entrenched as shelter and food prices surged, while gas prices softened. Inflation pressures are expected to remain hot. The CPI is expected to increase by 0.2% for the month and 8.1% over the past year.

Traders will also track the FOMC minutes that should show a consistent hawkish stance to fight persistently high inflation. It will also be another busy week of Fed speak as seven FOMC members will be making appearances.

Earnings season also begins with the big banks. This earnings season will likely be filled with hiring freezes/layoff announcements, cost-cutting saving measures, and mostly downbeat outlooks. Health of the consumer is weakening, and Wall Street will want to see how bad banks assess it.

India WPI inflation data for September is expected to show price pressures easing next week, which could enable the RBI to consider slowing its tightening cycle.



The USDINR Weekly chart indicates the pair witnessed an increased volatility with strong upward momentum last week, where it held above the 100% Fibonacci Price extension at 80.75 and the Upper Bollinger band to make fresh high of 82.42. The pair also moved wide away from the 8-13-20 Weekly EMAs supported by a densely bullish Ichimoku cloud. USDINR followed the DXY throughout the week and towards the end on Friday witnessed excess volatility to move past 82 which was been protected by the RBI. While the pair has been technically overbought as indicated by the Bollinger-RSI combination, we might see a small correction in the week ahead. Parabolic SAR penetrating Ichimoku cloud from below might as well lead the pair to minor correction.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways- Bullish	Sell 82.70-83.10 SL 83.50 TGT 81.70-81.20								81.00-83.10		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		78.85	79.91	80.97	81.65	82.03	82.71	83.09	84.15	85.21	
Exporters Strategy	Exporters were advised to hedge 50% of their October exposure between 81.30-81.60. Add 25% at 82.80										
Importers Strategy	Importers were advised to hold October exposure open with Stop above 82.30. Stop Triggered.										

Euro Outlook

Three weeks to go until the next ECB meeting and it's still not clear whether the central bank will opt for 75 basis points or 100.

The decision to super-charge the tightening cycle is not an easy one as policymakers are concerned about the economic ramifications and the risk of going too far too quickly.

Final inflation readings combined with various ECB appearances, including President Christine Lagarde could shed further light on which way the central bank is currently leaning.

The Euro may continue to depreciate against the Dollar over the coming days, as evidence of a resilient labor market allows the Fed to pursue a restrictive policy, and the update to the US CPI may encourage it to retain its current approach in combating inflation.

Another rise in the U.S. core CPI may drag on EURUSD as the FOMC retains a hawkish forward guidance, and the Dollar may continue to outperform against its major counterparts ahead of the next Fed rate decision on Nov. 2.

EURUSD closed near weekly low (0.9725) following the larger-than-expected rise in US Non-Farm Payrolls.



The EURUSD Weekly chart indicates the pair has been bearish after it breached the 100% Fibo Price Extension of 1.0429 and is swiftly approaching the next (161.8%) retracement level at 0.9242. Last week beginning, Euro recovered to test parity against USD, but could not sustain higher, to only drop back to 0.9725 at the end of the week.

The recent recovery in EURUSD from 0.9530 to Parity has turned most bearish indicators mildly bullish but, chances of them being bullish in near term are minimal.

The Upper Bollinger band, Parabolic SAR and Bearish Ichimoku Cloud bottom all have come together to converge around Parity to make it as a very very strong resistance for EURUSD to breach and sustain in the North.

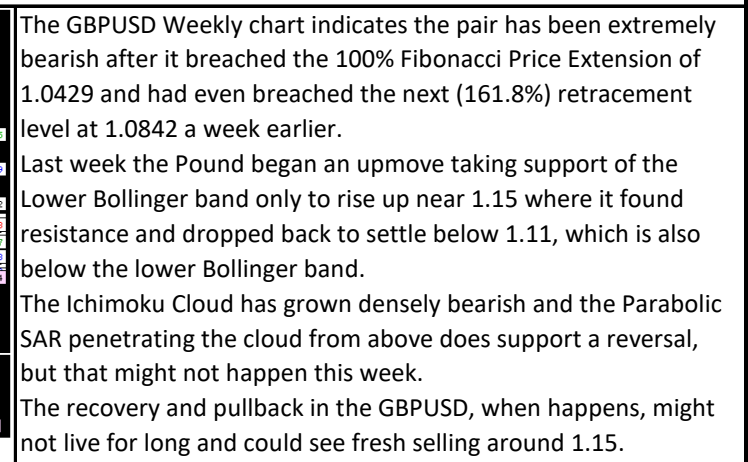
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish-Sideways	Sell 0.99 & 0.9950 SL 1.0050 TGT 0.9730-0.96				Sell 81.20-81.40 SL 81.80 TGT 80.00-79.50				0.9600-0.9950 79.30-81.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		76.96	78.16	79.35	80.02	80.55	81.22	81.74	82.94	84.13	
Exporters Strategy	Exporters were advised to hedge 50% of October exposure around 79.50 Spot. Add Pending around 81.										
Importers Strategy	Importers were advised to hedge 50% of October payables around 78.50. Pending to be hedged around 78.50 again, with Stop above 80.80 on Spot. Stop Triggered.										

British Pound Outlook

A lot of BoE policymakers are due to speak next week, all of whom will likely face a barrage of questions related to BoE's bond-buying, the government and its mini-budget and of course the economy.

Another week of question dodging and scripted answers is on cards for the government as it desperately scrambles to clear up the mess it so rapidly created.

The outlook for the pound does not look good, with soaring inflation and the new government's serious missteps after only a few weeks in office.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.12 & 1.13 SL 1.1480 TGT 1.0950				Sell 92.30-92.80 SL 93.50 TGT 91.10 & 89.70				1.09-1.1350 89.50-92.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.99	87.33	89.67	91.01	92.01	93.35	94.35	96.69	99.03	
Exporters Strategy	Exporters were advised to hedge their September exposure partially (50%) around 91. Pending to be hedged around 92.50 Spot.										
Importers Strategy	Importers were advised to hedge partially (50%) near 89.30 Spot for October exposure. Pending to be held open with Stop above 91.60 Spot. Stop Triggered at 91.63.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
11.10.2022	11:30 AM	GBP	Average Earnings Index +Bonus (Aug)	5.9%	5.5%
		GBP	Claimant Count Change (Sep)	4.2K	6.3K
12.10.2022	12:05 AM	GBP	BoE Gov Bailey Speaks		
	11:30 AM	GBP	GDP (YoY)		4.4%
		GBP	GDP (MoM)	0.0%	0.2%
		GBP	Manufacturing Production (MoM) (Aug)	0.2%	0.1%
		GBP	Monthly GDP 3M/3M Change		0.0%
	06:00 PM	USD	PPI (MoM) (Sep)	0.2%	-0.1%
	07:00 PM	EUR	ECB President Lagarde Speaks		
	09:30 PM	USD	EIA Short-Term Energy Outlook		
	11:30 PM	USD	FOMC Meeting Minutes		
13.10.2022	11:30 AM	EUR	German CPI (YoY) (Sep)	10.0%	10.0%
	06:00 PM	USD	Core CPI (MoM) (Sep)	0.5%	0.6%
		USD	CPI (MoM) (Sep)	0.2%	0.1%
		USD	CPI (YoY) (Sep)	8.1%	8.3%
		USD	Initial Jobless Claims	225K	219K
	08:30 PM	USD	Crude Oil Inventories		-1.356M
14.10.2022	06:00 PM	USD	Core Retail Sales (MoM) (Sep)	-0.1%	-0.3%
		USD	Retail Sales (MoM) (Sep)	0.2%	0.3%
15.10.2022	06:30 PM	GBP	BoE Gov Bailey Speaks		

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