

Currencies Weekly Report

Week of 28.06.2021



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Global Economic Review & Outlook

The week gone was a greatly led by huge volatility in global equities, bonds and FX too where value stocks gained upward momentum while investors dumped treasuries thereby boosting bond yields.

After the Fed's notable shift in the policy stance, expectations from the US central bank have heightened for market participants awaiting the next meet when they might clarify on winding up the asset purchase programme started post Covid.

The BoE, however, unlike the Fed, wishes to maintain the rates to earlier and even is not willing to reduce the pandemic relief bond purchase.

In a major breakthrough the Biden administration clinched a near to \$ 600 billion infrastructure deal, considered to be far from the planned \$2.5 trillion deal.

Despite better than expected PMI releases in the Eurozone, the equity markets could not save themselves from sliding until last thursday. It was only on Friday the global equities recovered sharply.

The dollar remained quiet while slowly losing against majors throughout the second half of last week but recovered a little after the inflation data on Friday.

Sterling Pound retreated after BoE steered clear of any tightening signals and the Euro recovered from its sharp downfall a week earlier.

In the week ahead, markets are majorly focussing on the Jobs data in the US where the June nonfarm payrolls report is expected to show that the economy added 700,000 new jobs, pushing the unemployment rate down to 5.7% from 5.8%.

| INDICES | Last Close | Previous Week | % CHANGE |
|-----------|------------|---------------|----------|
| NASDAQ | 14360.4 | 14030.38 | 2.35 |
| DOW JONES | 34433.84 | 33290.08 | 3.44 |
| NIKKEI | 29066.18 | 28964.08 | 0.35 |
| HANGSENG | 29288.22 | 28801.27 | 1.69 |
| CAC | 6622.87 | 6569.16 | 0.82 |
| DAX | 15607.97 | 15448.04 | 1.04 |
| FTSE | 7136.07 | 7017.47 | 1.69 |
| FX | Last Close | Previous Week | % CHANGE |
| DX | 91.85 | 92.32 | -0.51 |
| EURUSD | 1.1933 | 1.1862 | 0.60 |
| GBPUSD | 1.3877 | 1.3803 | 0.54 |
| USDJPY | 110.76 | 110.19 | 0.52 |

| | RBI Reference Rate | | | | |
|--------|--------------------|----------|-----------|----------|----------|
| | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY |
| USDINR | 74.1522 | 74.1300 | 74.3737 | 74.2362 | 74.1790 |
| EURINR | 88.2020 | 88.2271 | 88.6966 | 88.5791 | 88.5677 |
| GBPINR | 103.0450 | 103.0684 | 103.7188 | 103.6417 | 103.3002 |
| JPYINR | 67.11 | 67.13 | 67.10 | 66.97 | 66.92 |

| | USDINR Forward Rates (Month End) | | | | |
|-----------|----------------------------------|---------|---------|---------|----------|
| | 1 Month | 3 Month | 6 Month | 9 Month | 12 Month |
| Monday | 74.1350 | 74.6500 | 75.4350 | 76.2450 | 77.1500 |
| Tuesday | 74.4050 | 74.9150 | 75.7000 | 76.5100 | 77.4200 |
| Wednesday | 74.2950 | 74.7950 | 75.5750 | 76.3700 | 77.2700 |
| Thursday | 74.1750 | 74.6700 | 75.4500 | 76.2600 | 77.1650 |
| Friday | 74.2025 | 74.6800 | 75.4550 | 76.2750 | 77.1900 |

Dollar Outlook

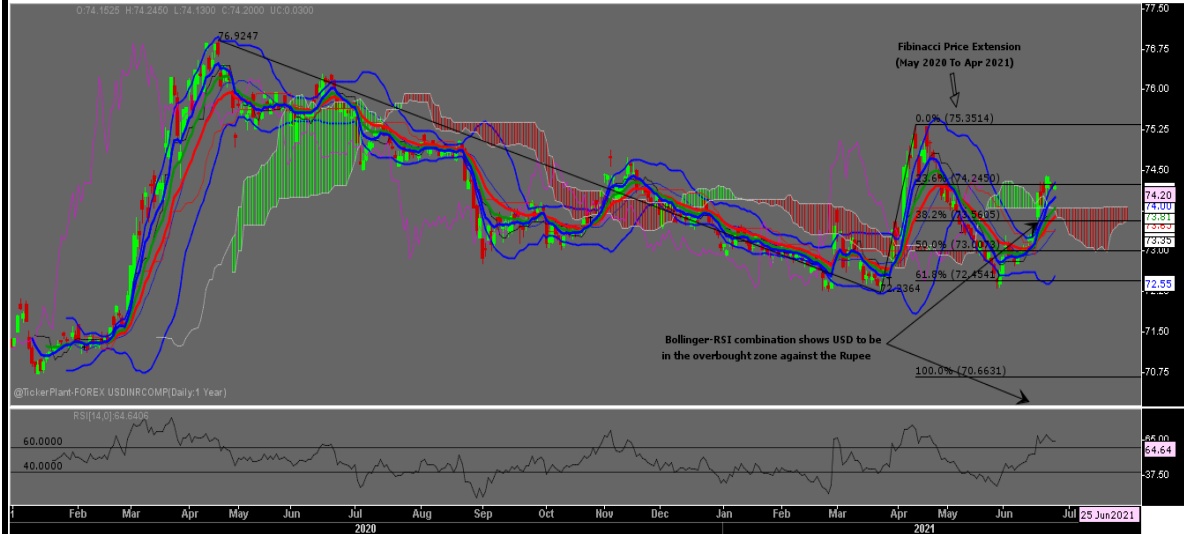
The Dollar Index struggles to retain the advance following the Fed's rate decision as a slew of Fed officials endorse a dovish forward guidance for monetary policy, but fresh data prints coming out of the US may prop up the Greenback as employment is expected to increase for the sixth consecutive month. The breakout in the DXY appears to have stalled after testing the resistance around 92.50, and the Greenback may consolidate over the remainder of the month as the FOMC stays on track to "increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month.

The testimony from Chairman Powell suggests the FOMC is in no rush to scale back its non-standard tools as he tells US lawmakers that the Fed will do everything it can to support the economy for as long as it takes to complete the recovery.

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The USDINR Daily chart indicates the Dollar has almost recovered from the continued depreciation versus the Rupee since 2nd half of April 21.

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 test the 23.6% Fibo retracement at 74.25 last week.

The Bollinger-Rsi combination shows the pair has reached its overbought zone but one should note the prices have sustained the bullish 8-13-20 EMA crossover.

Any pullbacks towards 73.50/30 will see heavy buying in the pair for it to push again towards 74.25 and even higher to the psychological 75 mark.

However, 74.25-74.50 remains a strong resistance zone for the pair to indicate to show a clear upward move towards and above 75.

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1. *Journal of the American Medical Association*, 2000; 283: 2689-2695.

| Weekly Bias | Weekly Trading Strategy (SPOT) | | | | | | | | Weekly Range | | |
|--------------------|--|-------|-------|-------|-------|-------|-------|-------|---------------|-------|--|
| Bullish | Buy 73.80/50 SL 73.30 TGT 74.25-74.50 | | | | | | | | 73.50 - 74.60 | | |
| Pivot Levels | | S4 | S3 | S2 | S1 | Pivot | R1 | R2 | R3 | R4 | |
| | | 73.18 | 73.53 | 73.87 | 74.04 | 74.22 | 74.38 | 74.56 | 74.91 | 75.25 | |
| Exporters Strategy | Exporters are suggested to partially hedge (40%) of their total July exposure around 74.25/30 and maintain stop for pending unhedged July receivables at 73.80 (SPOT) targetting 74.50 and higher. | | | | | | | | | | |
| Importers Strategy | Importers are suggested to maintain strict Stops above 74.50 Spot for all July payables and target 74 & 73.80 for partial hedging of the July payables. | | | | | | | | | | |

Euro Outlook

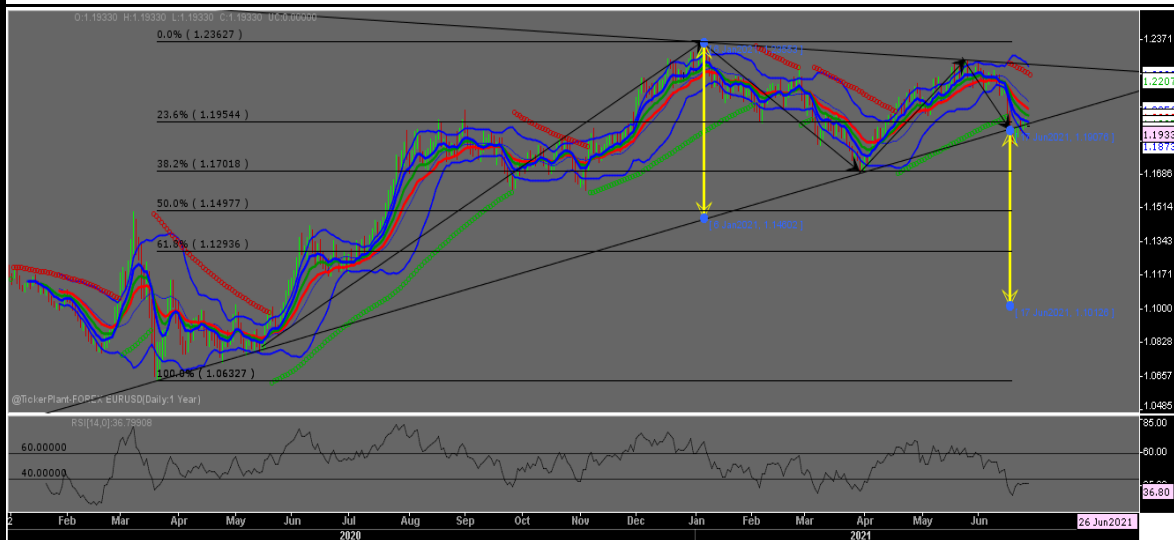
After last week's strong Eurozone PMI and German Ifo data, Euro traders this coming week should focus on inflation numbers from Germany Tuesday and then the Eurozone as a whole Wednesday.

These statistics will follow strong signals last week that the region's economy is now recovering strongly from the Covid slump.

June PMIs from Germany and then from the Eurozone all beat expectations, as did the Ifo business climate index for Germany and Ifo's expectations index. Under normal circumstances, such numbers would lift forecasts for Eurozone interest rates and therefore EUR/USD but that is not what's happening.

The problem is that the ECB will not be raising interest rates in the foreseeable future so even if the numbers show that the strong economic recovery is boosting inflation that's unlikely to lift the Euro.

EUR/USD is therefore more likely to weaken than strengthen even if the numbers exceed expectations.



The EURUSD Daily chart indicates the Euro has clearly halted earlier after finding a Triangle resistance around 1.2266 and has even breached the lower end of the triangle this past week to move even lower to 1.1845. This downward breach of the triangle is a major setback for Euro against the Dollar which could confirm a fresh bearish trend in the pair for a longer term.

This week might provide the said confirmation to this months long bear move in future.

The pair has slipped below the bearish 8-13-20 EMA crossover but has been able to hold itself along the support zone of the triangle. EURUSD now approaches the 38.2% Fibo support at 1.17 expected to be tested this week.

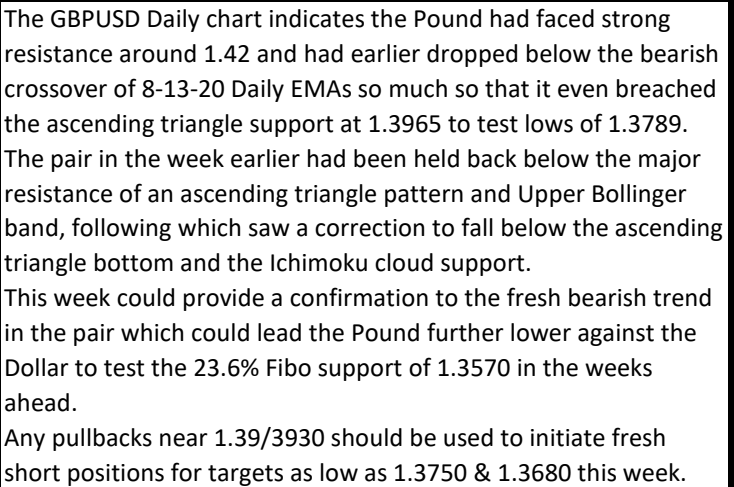
Any pullbacks earlier in the week near 1.1950 should be used to initiate fresh shorts for targets of 1.1760.

| Weekly Bias | Weekly Trading Strategy (SPOT) | | | | | | | | Weekly Range | | |
|--------------------|--|-------|-------|-------|-------------------------------------|-------|-------|-------|-----------------------------|-------|--|
| Bearish | Sell 1.1950/40 SL 1.2010 TGT 1.1800-1.1760 | | | | Sell 88.90 SL 89.30 TGT 88.10-87.60 | | | | 1.1750-1.1950 87.20-88.50 | | |
| Pivot Levels | | S4 | S3 | S2 | S1 | Pivot | R1 | R2 | R3 | R4 | |
| | | 85.82 | 86.68 | 87.55 | 88.07 | 88.41 | 88.94 | 89.27 | 90.13 | 91.00 | |
| Exporters Strategy | Exporters are advised to hedge 50% around 88.50 & maintain strict stops at 87.80 on Spot for the remaining 50% of the July exposure targetting 89.30/50. | | | | | | | | | | |
| 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

The Bank directly responded to the view that they could move in a more hawkish direction, by adding that they will ensure that the recovery will not be undermined by apremature tightening in monetary conditions.

The major driver for the Pond too, is the US NFP and ISM taking center stage in the week ahead.



| Weekly Bias | Weekly Trading Strategy (SPOT) | | | | | | | | Weekly Range | | |
|--------------------|--|-------|-------|--------|---|--------|--------|--------|-------------------------------|--------|--|
| Bearish | Sell 1.3900-30 SL 1.40 TGT 1.3750-1.3680 | | | | Sell 103.90 SL 104.30 TGT 103.00-102.30 | | | | 1.3680-1.4030 101.90-103.30 | | |
| Pivot Levels | | S4 | S3 | S2 | S1 | Pivot | R1 | R2 | R3 | R4 | |
| | | 98.29 | 99.88 | 101.47 | 102.31 | 103.07 | 103.91 | 104.66 | 106.25 | 107.84 | |
| Exporters Strategy | Exporters are suggested to hedge their July exposure partially (50%) around 103.50 pending to be held open with Stops below 102.50. | | | | | | | | | | |
| Importers Strategy | Importers are suggested to maintain a strict Stop above 103.80 on Spot targetting lower levels near 102.50 to start hedging their July exposure. | | | | | | | | | | |

Economic Data for the Week

| Date | Time | Currency | Data | Forecast | Previous |
|------------|----------|----------|--------------------------------|----------|----------|
| 29.06.2021 | 07:30 PM | USD | CB Consumer Confidence | 118.9 | 117.2 |
| 30.06.2021 | 06:30 PM | CNY | Manufacturing PMI | 50.9 | 51.0 |
| | 02:30 PM | EUR | CPI Flash Estimate y/y | 1.9% | 2.0% |
| | 05:45 PM | USD | ADP Non-Farm Employment Change | 555K | 978K |
| | 07:15 PM | USD | Chicago PMI | 70.2 | 75.2 |
| | 07:30 PM | USD | Pending Home Sales m/m | -1.1% | -4.4% |
| 01.07.2021 | 01:25 PM | EUR | German Final Manufacturing PMI | 64.9 | 64.9 |
| | 02:30 PM | GBP | BOE Gov Bailey Speaks | | |
| | All | All | OPEC-JMMC Meetings | | |
| | 06:00 PM | USD | Unemployment Claims | 382K | 411K |
| | 07:30 PM | USD | ISM Manufacturing PMI | 61.0 | 61.2 |
| 02.07.2021 | 12:30 AM | GBP | BOE Gov Bailey Speaks | | |
| | 12:30 PM | EUR | Spanish Unemployment Change | -111.5K | -129.4K |
| | 06:00 PM | EUR | ECB President Lagarde Speaks | | |
| | | USD | Average Hourly Earnings m/m | 0.4% | 0.5% |
| | | USD | Non-Farm Employment Change | 700K | 559K |
| | | USD | Unemployment Rate | 5.7% | 5.8% |
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