

Currencies Weekly Report

Week of 27.03.2023

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March 27, 2023

Global Economic Review & Outlook

The Federal Reserve interest rate decision and economic projections saw a notable shift in the dot plot as with officials expected to stop raising rates after one more hike in May. Fed Chair Powell however ruled out rate cuts in 2023.

With banking sector stress, markets consider fewer rate hikes will be necessary. But if banking stress recedes, more rate hikes may be needed to tame the inflation.

Authorities around the world are on high alert for the fallout from recent turmoil at banks following the collapse in the US of Silicon Valley Bank and Signature Bank and the rescue takeover a week ago of Credit Suisse. The fallout from SVB, Signature Bank, and Credit Suisse has opened the door to downside risks. More than anything, this has altered market expectations of monetary policy from the Fed and ECB.

The BoE has hiked rates by 25-bps as expected. Policymakers warned that if there were evidence of more persistent price pressures, further tightening would be required.

Eurozone PMIs showed services sector was robust, but manufacturing continued to struggle.

Commodities market suffered as the critical liquidity and market-making functions that banks provide the raw materials trade were hampered.

India fin-min has asked state-run banks to assess various financial health parameters amid turbulence across the global banking sector.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11823.96	11630.51	1.66
DOW JONES	32238.15	31858.89	1.19
NIKKEI	27385.25	27333.79	0.19
HANGSENG	19915.68	19518.59	2.03
CAC	7015.10	6925.40	1.30
DAX	14957.23	14768.20	1.28
FTSE	7405.45	7335.40	0.95
FX	Last Close	Previous Week	% CHANGE
DX	103.12	103.71	-0.57
EURUSD	1.0760	1.0664	0.90
GBPUSD	1.2230	1.2175	0.45
USDJPY	130.72	131.81	-0.83

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.5030	82.6799	--	82.1590	82.2378
EURINR	88.0109	88.5237	--	89.6262	89.0624
GBPINR	100.4672	101.2812	--	101.2725	100.9836
JPYINR	62.73	62.89	--	62.87	63.13

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.6625	83.0375	83.5225	84.0350	84.5450
Tuesday	82.6750	83.0425	83.5125	84.0175	84.5150
Wednesday	--	--	--	--	--
Thursday	82.2750	82.6275	83.1025	83.6050	84.1075
Friday	82.4875	82.8225	83.3000	83.8125	84.3300

Dollar Outlook

The turmoil in the banking sector that triggered tremors on Wall Street earlier this month is likely to lead to a credit crunch for households and businesses in the coming months, creating a meaningful disinflationary process. This will ease pressure on the central bank, limiting the need for overly restrictive policy. While the Fed indicated no policy easing in 2023, its actions suggest that financial stability will be prioritized over the inflation battle, which is a slower-moving problem. It would just be a matter of time before the Fed shifts focus to financial stability and moves to a full-fledged dovish stance. Given that the Fed is seen reversing course soon and stands ready to act if necessary to contain systemic risks, the Dollar is likely to remain on a depreciatory path. However, uncertainty remains high, but sentiment should stabilize soon.

It's important to remember that the Fed is mandated to fight inflation and that, while pricing power remains strong, further rate hikes will remain on the cards whatever markets might wish. Sooner or later, Dollar will regain its strength.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 83.00 SL 83.40 TGT 82.10-81.80 / Buy 82.15 SL 81.80 TGT 82.75-83.00								81.80-83.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.55	81.18	81.80	82.14	82.42	82.76	83.04	83.67	84.29	
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 was advised between 81.60-81.90 Spot, targetting 81.25 for the pending 50%.										

British Pound Outlook

The BoE stated that Q2 CPI is likely to be lower than forecast in February due to longer energy price caps and lower wholesale prices while expressing their belief that the recent increase in inflation data may not be long-lasting.

For the UK, a slight uptick in retail sales and manufacturing PMI provided a positive lift to sentiment. The next big data print will be the GDP growth rate which will be released on Friday, March 31st.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.2330 SL 1.2430 TGT 1.2150				Sell 101-101.30 SL 102.00 TGT 100.20-99.70				1.2150-1.2330 99.70-101.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.43	98.58	99.72	100.22	100.87	101.36	102.01	103.16	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. Target achieved.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
27.03.2023	01:30 PM	EUR	German Ifo Business Climate Index (Mar)	91.0	91.1
	10:30 PM	GBP	BoE Gov Bailey Speaks		
28.03.2023	02:15 PM	GBP	BoE Gov Bailey Speaks		
	07:30 PM	USD	CB Consumer Confidence (Mar)	101.0	102.9
29.03.2023	07:30 PM	USD	Pending Home Sales (MoM) (Feb)	-3.0%	8.1%
	08:00 PM	USD	Crude Oil Inventories		1.117M
30.03.2023	Tentative	GBP	BOE Inflation Letter		
	05:30 PM	EUR	German CPI (YoY) (Mar)	7.3%	8.7%
	06:00 PM	USD	GDP (QoQ) (Q4)	2.7%	3.2%
		USD	Initial Jobless Claims	196K	191K
31.03.2023	07:00 AM	CNY	Manufacturing PMI (Mar)	50.5	52.6
	11:30 AM	GBP	GDP (QoQ) (Q4)	-0.2%	-0.2%
		GBP	GDP (YoY) (Q4)	0.4%	0.2%
	01:25 PM	EUR	German Unemployment Change (Mar)	3K	2K
	02:30 PM	EUR	CPI (YoY) (Mar)	7.2%	8.5%
	06:00 PM	USD	Core PCE Price Index (MoM) (Feb)	0.4%	0.6%

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