Currencies Weekly Report

Week of 02.01.2023



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Global Economic Review & Outlook

The latest US jobs report will be headlining the economic agenda, while the minutes of the December FOMC meeting is expected to attract more attention than usual given the absence of Fed speakers since the event.

Flash inflation readings out of the Eurozone and Canadian employment figures will be the other highlights.

Markets are expected to slowly begin returning to normal in the first trading week of 2023 after the holiday Iull.

China has gradually moved away from zero-Covid policy as last week it ditched last remaining major restriction by ending the need for inbound travellers to quarantine. China is still battling a surge in infections. In the U.S., despite the Fed hiking rates by a total 425bps in 2022, the labour market sustained through the tightening cycle disheartening policymakers. Other parts of the economy, such as housing, are clearly cracking, and even consumer spending softened in November. European markets will be getting into full swing with a fairly busy calendar this week. The flash inflation estimates for December at the end of the week will be important.

In the UK an environment with higher interest rates has been weighing down housing prices due to lesser demand from the public. Fears of a recession in the UK will likely limit Pound upside in Q1 of 2023.

		RBI Reference Rate											
	MONDAY TUESDAY WEDNESDAY THURSDAY FR												
USDINR	82.7373	82.7936	82.9183	82.8346	82.7862								
EURINR	87.9415	88.2276	88.2986	88.0040	88.1496								
GBPINR	99.8970	100.0958	99.7679	99.7213	99.7436								
JPYINR	62.39	62.33	61.90	62.00	62.45								

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	10466.48	10497.86	-0.30
DOW JONES	33147.28	33204.26	-0.17
NIKKEI	26094.50	26235.25	-0.54
HANGSENG	19781.41	19593.06	0.96
CAC	6473.76	6504.90	-0.48
DAX	13923.59	13940.93	-0.12
FTSE	7451.74	7473.01	-0.28
FX	Last Close	Previous Week	% CHANGE
DXY	103.52	104.31	-0.76
EURUSD	1.0702	1.0616	0.81
GBPUSD	1.2095	1.2050	0.37
USDJPY	131.10	132.82	-1.29

	USDINR Forward Rates (Month End)										
	1 Month	h 3 Month 6 Month 9 Month 12 M									
Monday	82.6550	82.9600	83.4950	83.9075	84.3000						
Tuesday	82.8500	83.1525	83.6900	84.1075	84.5075						
Wednesday	82.9950	83.2900	83.7675	84.1600	84.5525						
Thursday	82.9200	83.2100	83.6950	84.0875	84.4775						
Friday	82.8425	83.1325	83.6125	83.9925	84.3700						

Dollar Outlook

U.S. markets will be closed today for the New Year holiday so it will be a slow start for Dollar this week.

After several high profile announcements of big layoffs in recent months, the unemployment rate has ticked up only marginally to 3.7%, while nonfarm payrolls have been rising at a pace of between 250k and 300k since September. Forecasts for the payrolls change have been stuck at 200k in the last few months and it's no different for the December report.

Following Fed Chair Powell's hawkish pushback in December, investors are likely to be sensitive to continued strength in the jobs data and they will also be paying attention to average hourly earnings, which accelerated to 5.1% year-on-year in November.

Should Friday's NFP report beat expectations again, there could be some 'relief' for the markets from the ISM manufacturing and non-manufacturing PMIs due on Wednesday and Friday, respectively. Both are expected to print lower in December, with the former sinking deeper below 50.

With the Dollar unable to gain much lately from upbeat indicators as they only heighten fears that the Fed's overtightening will push the economy into a steeper recession, it may be a lose-lose situation for the Dollar this week and its best hope could be the December FOMC minutes due Wednesday night.



The USDINR Weekly chart indicates the pair has been trending up since last 2 weeks after it found strong support near 20-EMA. USDINR closed at 82.72, well above the 20- Weekly EMA and is hovering near the Upper Bollinger Band and around the 83 handle which has acted as a strong resistance earlier.

Also, The RSI has dropped down from 80 odd levels throughout last month and is expected to soon drop below 60, thus confirming a downtrend in the Dollar.

Technically, 82.80-83.30 is a resistance zone where the pair is expected to halt and show some correction back to 81.80-81.50. However, this week, we would suggest to wait for the pair to drop below 82.50, after which one can go short on the pair for targets of 81.50 with a strict Stop above 83.30.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range			
Sideways		Sell Below 82.50 SL 83.30 TGT 81.80-81.50									81.50-83.00	
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4		
		81.86	82.16	82.46	82.59	82.76	82.89	83.06	83.36	83.66		
Exporters Strategy		Exporters are advised to hedge 50% of their January exposure between 82.50-82.80 Spot. Pending to be held open with Stop below 82.00.										
Importers Strategy		Importers are advised to hedge 50% of their January exposure around 82.00 Spot. Pending to be held open with Stop above 83.30.										

Euro Outlook

EURUSD enjoyed sharp gains with an 80-odd pip upside rally last Friday before finding resistance at the top of its recent trading range around the 1.07 handle.

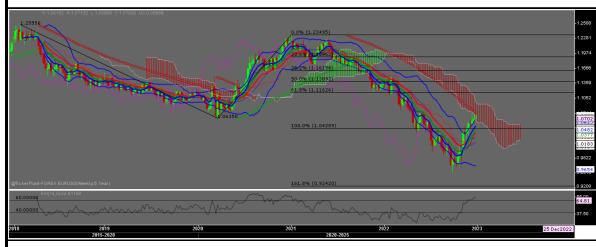
The ECB's Klaas Knot in his recent comments suggested that the Bank is only at the halfway point with its rate increases. The prospects of further rate hikes from the ECB are surely going to be Euro supportive leading to a further sustained upside above 1.07 in weeks ahead.

European markets will be getting into full swing with a fairly busy calendar this week.

The flash inflation estimates for December at the end of the week will be the focal point, but traders might be drawn to some of the other releases as well. The final PMI readings for manufacturing are out today and the services PMIs will follow on Tuesday.

Euro area producer prices are due on Thursday and on Friday, November retail sales and the December economic sentiment indicator should help shed additional light on the health of the Eurozone economy.

The Eurozone CPI is expected to moderate on an annual basis, easing from 10.1% to 9.7% in December. If confirmed, this would raise hopes that inflation in the euro area has peaked.



The EURUSD Weekly chart indicates the pair held on to its recent recovery and further add to gains last week, where it held itself above the Upper Bollinger band to close the week penetrating into the bearish Ichimoku Cloud, just close to the bearish Parabolic SAR.

This confirms a reversal and continuation of the Upward trend in the pair for targets as high as 1.09 in the near term.

The 8-13-20 Weekly EMAs too have given a bullish crossover. The RSI too has moved up just above 60.

Technically, EURUSD seems to have gained an upward momentum and is heading further North.

Traders are advised to go long on the pair on dips close to 1.0650 for targets as high as 1.09 this month.

Weekly Bias	Weekly Trading Strategy (SPOT)									Weekly Range			
Bullish-Sideways	Buy 1	1.0670 SL 1.	0620 TGT 1.	.0750	Buy 88.20	0-88.00 SL 8	7.50 TGT 88	1.0670-1.0750 88.00-89.00					
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4			
		86.04	86.78	87.51	87.99	88.24	88.72	88.97	89.71	90.44			
Exporters Strategy	Exporters were advised to hedge 30% of their January exposure around 89.00 Spot. Pending to be held open with Stop below 87.												
Importers Strategy	Importers are advised to hedge 50% of their January payables around 88.00. Pending to be held open with Stop above 89.50 on Spot.												

British Pound Outlook

The Pound initially reacted favorably to better than expected housing prices last week. However, it quickly turned negative as markets realized that the UK housing market is slowing down both YoY and MoM respectively.

An environment with higher interest rates has been weighing down housing prices due to lesser demand from the UK public. Fears of a recession in the UK will likely limit pound upside in Q1 of 2023 especially if the housing market continues to deteriorate.

The impact on GBP should theoretically be adverse with lesser housing demand resulting in softer inflation and a more dovish Bank of England. With recession will come a safe-haven demand in Dollar attracting investors away from the UK economy leaving the Pound exposed to subsequent downward movement.

Prospects of a less aggressive Fed have put the Dollar under pressure throughout the fourth quarter, pushing GBPUSD from an all-time low of 1.0356 in September to a six-month high of 1.2446 in mid-December. However, the rally lost steam during the holiday season.

For the Pound this week, traders will track the PMI numbers due for release this week.

The Pound has been oscillating in a 100-pip range, following the market sentiment, which has been unstable and remains the main driver.



The GBPUSD Weekly chart indicates the pair had halted its upward move in the past few weeks, dropping down from levels close to 1.2450 to even below 1.20.

Last week, GBPUSD witnessed a minor recovery back to 1.21 but failed to move above the 100% Fibo retracement of 1.2144.

This resistance could be taken out this week or next, thus confirming a continued upward move in the pair.

GBPUSD has been able to hold above the 8-13-20 Weekly EMAs and with the RSI again heading towards 60, we can expect the pair to rise further, this week, to 1.2150.

The bearish Parabolic SAR moving below the bearish Ichimoku cloud also indicates that the pair can gain upward momentum and rise sharply.

Weekly Bias	Weekly Trading Strategy (SPOT)									Weekly Range		
Sideways-Bullish	Buy 1.2050-1.2080 SL 1.2020 TGT 1.2150				Вι	ıy 99.80 SL 99	9.40 TGT 100	1.2050-1.2150 99.70-100.70				
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4		
		97.24	98.10	98.96	99.37	99.82	100.23	100.68	101.54	102.40		
Exporters Strategy		Exporters are advised to hedge their January exposure partially (30%) around 100.50 Spot.										
Importers Strategy		Importers are advised to hedge partially (50%) near 99.70 Spot for January.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
02.01.2023	07:15 AM	CNY	Caixin Manufacturing PMI (Dec)	48.9	49.4
	02:25 PM	EUR	German Manufacturing PMI (Dec)	47.4	47.4
03.01.2023	07:15 AM	CNY	Caixin Manufacturing PMI (Dec)	48.8	49.4
	02:25 PM	EUR	German Unemployment Change (Dec)	15K	17K
	03:00 PM	GBP	Manufacturing PMI (Dec)	44.7	44.7
04.01.2023	06:30 PM	EUR	German CPI (YoY) (Dec)	8.8%	10.0%
	08:30 PM	USD	ISM Manufacturing PMI (Dec)	48.5	49.0
		USD	JOLTs Job Openings (Nov)	10.000M	10.334M
05.01.2023	12:30 AM	USD	FOMC Meeting Minutes		
	03:00 PM	GBP	Composite PMI (Dec)	49.0	49.0
		GBP	Services PMI (Dec)	50.0	50.0
	06:45 PM	USD	ADP Nonfarm Employment Change (Dec)	145K	127K
	07:00 PM	USD	Initial Jobless Claims	230K	225K
	09:30 PM	USD	Crude Oil Inventories	-1.520M	0.718M
06.01.2023	03:00 PM	GBP	Construction PMI (Dec)		50.4
	03:30 PM	EUR	CPI (YoY) (Dec)	9.7%	10.1%
	07:00 PM	USD	Nonfarm Payrolls (Dec)	200K	263K
		USD	Unemployment Rate (Dec)	3.7%	3.7%
	08:30 PM	USD	ISM Non-Manufacturing PMI (Dec)	55.0	56.5

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