

# Currencies Weekly Report

Week of 31.05.2021

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May 31, 2021

## Global Economic Review & Outlook

Markets, in recent weeks have started trading sideways, all thanks to the FED & the ECB. Neither of the two is fully ready to come out openly and indicate tapering or phasing out of the emergency stimulus programme, OR be concerned about inflation being rising. ECB awaits the FED to take actions regarding tapering the asset purchase programme and the FED clearly sticks to the transitory inflation rhetoric and that the economy is far from full employment.

In any case, in longer term, the macro developments will drive the markets but this week it will be more of a reaction to economic data releases.

Recent economic datapoints in the U.S. or the Eurozone have somewhat failed to give direction to the markets, specifically FX.

Bond markets have entered a sideways range fix.

Inflation surprises, however have been driving the markets.

But since the FED seems careless about very high inflation rates, amidst rising house prices and ever-strengthening equity markets; even market participants are not bothered about the inflation now.

Bond yields have so far received no help from the FED but Biden came out to the help of bond bears announcing the \$6trillion budget proposal pushing 10yr yields above 1.6%

The U.S. labour market will be in focus this week and going through June.

The weak non-farm payroll number for April clearly was a result of labour supply (and not the demand) holding back the increase in employment.

Most of the extended unemployment benefits won't end until September. Finding childcare and closed schools is a problem and possibly COVID-19 fears still persist.

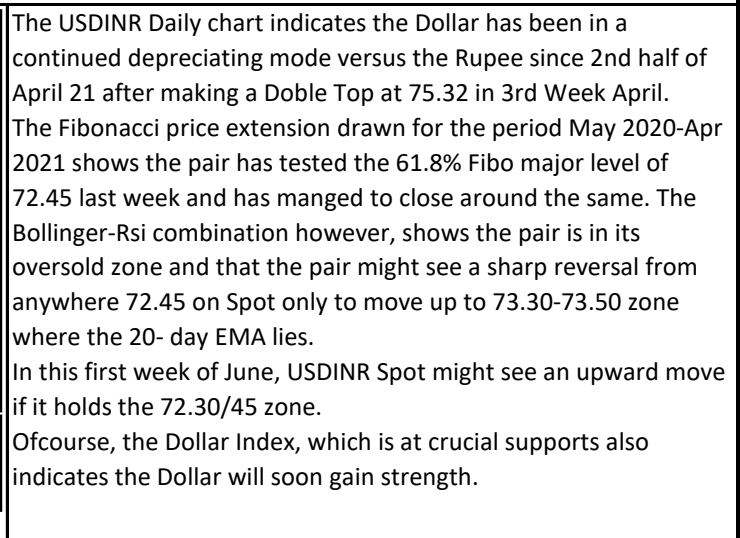
INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	13748.74	13470.99	2.06
DOW JONES	34529.45	34207.84	0.94
NIKKEI	29149.41	28317.83	2.94
HANGSENG	29124.41	28458.44	2.34
CAC	6484.11	6386.41	1.53
DAX	15519.98	15437.51	0.53
FTSE	7022.61	7018.05	0.06
FX	Last Close	Previous Week	% CHANGE
DX	90.06	90.03	0.03
EURUSD	1.2189	1.2180	0.07
GBPUSD	1.4184	1.4146	0.27
USDJPY	109.83	108.96	0.80

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	72.8961	72.8045	--	72.6404	72.4767
EURINR	88.8565	89.0666	--	88.5511	88.2307
GBPINR	103.2010	103.3106	--	102.4641	102.7724
JPYINR	67.03	66.97	--	66.56	65.9600

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	72.9650	73.7050	74.6850	75.6100	76.5150
Tuesday	73.1400	73.8325	74.7975	75.6750	76.6200
Wednesday	--	--	--	--	--
Thursday	72.8950	73.5900	74.5600	75.4500	76.4000
Friday	72.7500	73.4400	74.41	75.3000	76.2450

## Dollar Outlook

If commodity prices pullback while US economic data outperforms, it shall provoke a churn towards higher US nominal yields and lower inflation expectations, which would lift US real yields and bring a turn around in Dollar.



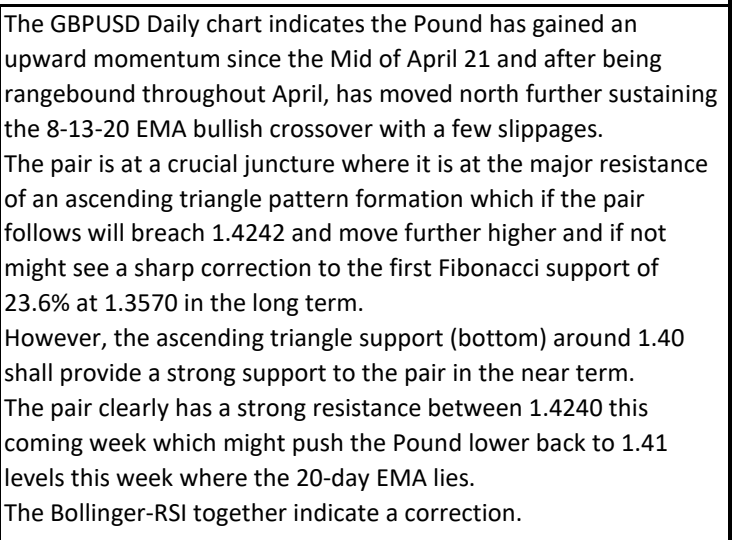
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish	Buy 72.40/30 SL 72.10 TGT 73.20-73.50								72.10 - 73.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		70.60	71.26	71.92	72.18	72.58	72.84	73.24	73.90	74.56	
Exporters Strategy	Exporters are suggested to maintain stop for any unhedged June receivables at 72.00 (SPOT). Most exposure has already been advised to be covered in April.										
Importers Strategy	Importers are suggested to hedge partially around 60% for June at around 72.40 (SPOT) levels & maintain stops at 73.00 for for the remaining 40%.										



## British Pound Outlook

Now when Vlieghe is leaving BoE at the end of August, the fact that he is typically more dovish relative to other MPC members gives a sense of the rest of the member's stance. Money markets are already pricing in a move to 0.25% by Nov 22, a further hawkish repricing may see that shift towards Q3 2022.

Elsewhere, as Covid cases pick up in the UK following the spread of the Indian variant, and with the UK PM sounding cautious over the lifting of all Covid restrictions planned for June 21st, risks that the UK may need to wait could be a blow to the Sterling.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.4230/20 SL 1.4250 TGT 1.4170-1.4120				Sell 103.10 SL 103.40 TGT 102.30				1.4100-1.4250   101.80-103.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		99.80	100.82	101.84	102.29	102.86	103.31	103.88	104.90	105.92	
Exporters Strategy	Exporters are suggested to hedge their June exposure partially (50%) around 103 & maintain strict Stop below 102.30 for the remaining 50%.										
Importers Strategy	Importers are suggested to maintain a strict Stop above 103.40 on Spot targetting lower levels of 102.30 to start hedging their June exposure .										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
31.05.2021	06:30 AM	CNY	Manufacturing PMI	51.3	51.1
01.06.2021	01:25 PM	EUR	German Final Manufacturing PMI	64.0	64.0
	All Day	All	OPEC-JMMC Meetings		
	07:30 PM	USD	ISM Manufacturing PMI	61.2	60.7
	08:30 PM	GBP	BOE Gov Bailey Speaks		
03.06.2021	05:45 PM	USD	ADP Non-Farm Employment Change	675K	742K
	06:00 PM	USD	Unemployment Claims	400K	406K
	07:30 PM	USD	ISM Services PMI	63.0	62.7
	08:30 PM	USD	Crude Oil Inventories	-1.0M	-1.7M
	09:30 PM	GBP	BOE Gov Bailey Speaks		
04.06.2021	04:30 PM	EUR	ECB President Lagarde Speaks		
		USD	Fed Chair Powell Speaks		
	06:00 PM	USD	Average Hourly Earnings m/m	0.2%	0.7%
		USD	Non-Farm Employment Change	670K	266K
		USD	Unemployment Rate	5.9%	6.1%

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