

Currencies Weekly Report

Week of 17.04.2023

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Global Economic Review & Outlook

Economic data over the past week has not surprised, yet financial markets are still in limbo when it comes to central bank's actions ahead. Expectations for rate cuts are too aggressive.

Large parts of Wall Street remain confident that the economy is recession bound as expectations remain that banking turmoil will persist. Fed rate cut bets for later in the year have steadily increased and that has kept the Dollar under pressure.

This week has a few standout economic releases, several central bank speeches, and a handful of big earnings. The eurozone outlook has improved even as Germany still appears to be headed for a shallow recession.

The euro has been rallying against the dollar on expectations the ECB will deliver a lot more tightening than the Fed going forward. Markets will closely watch ECB President Lagarde's comments today.

In the UK, upcoming jobs and inflation report will most likely impact bets on how much more tightening the BOE will deliver. The jobs report might look mixed as it could show the unemployment rate holding steady at 3.7%, while wages start to come down. The main event for the UK is the inflation report.

Wholesale prices in March are expected to decline from 3.85% to 1.60%, further adding support to disinflation trends and supporting the RBI's case to keep rates on hold.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	12123.46	12087.96	0.29
DOW JONES	33885.31	33485.35	1.19
NIKKEI	28493.47	27518.31	3.54
HANGSENG	20438.81	20331.20	0.53
CAC	7519.61	7324.75	2.66
DAX	15807.50	15597.89	1.34
FTSE	7871.91	7741.56	1.68
FX	Last Close	Previous Week	% CHANGE
DX	101.55	102.09	-0.53
EURUSD	1.0991	1.0903	0.81
GBPUSD	1.2413	1.2416	-0.02
USDJPY	133.75	132.14	1.21

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	81.9105	82.0881	82.0712	81.9755	--
EURINR	89.2966	89.4016	89.6398	90.0561	--
GBPINR	101.6411	101.9003	102.0134	102.3705	--
JPYINR	61.80	61.56	61.35	61.49	--

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.0200	82.3275	82.7950	83.2925	83.8225
Tuesday	82.1800	82.4775	82.9350	83.4175	83.9500
Wednesday	82.1125	82.3975	82.8475	83.3375	83.8625
Thursday	81.8775	82.1500	82.6025	83.0950	83.6200
Friday	--	--	--	--	--

Dollar Outlook

The Dollar was beaten by traders last week and turned out to be the worst week for the DXY since early January.

As far as economic data was concerned, the latest US CPI and PPI reports were of key focus last week. The CPI showed a mixed reading as headline inflation unexpectedly surprised lower while underlying price pressures rose in March Y-o-Y. However, markets were more watchful to wholesale inflation which broadly surprised lower for the same period.

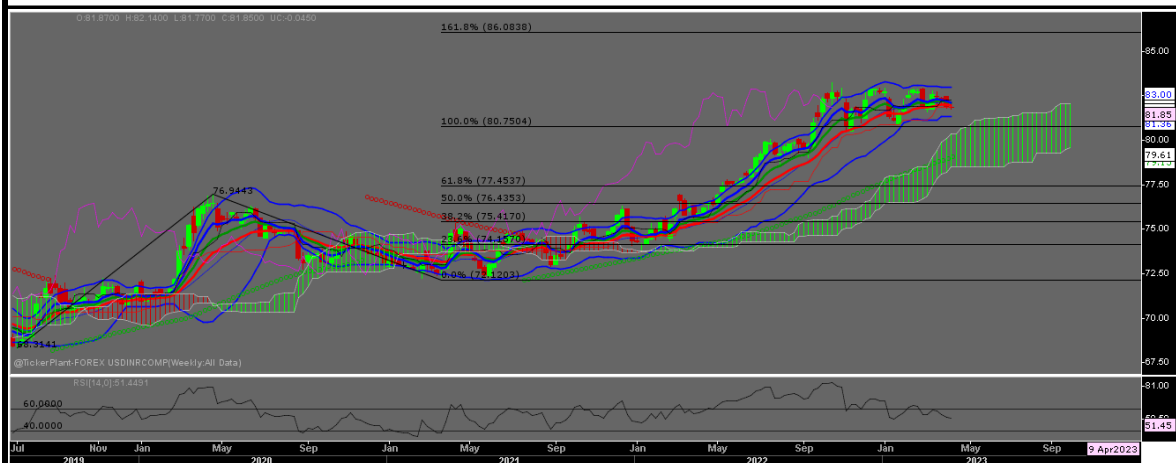
The data last week continued to paint the story of cooling price pressures ahead which could open the door for the Federal Reserve to stop its tightening cycle.

This has been driving markets of late, as well as rising expectations that the Fed will pivot to easing policy towards the end of this year.

There has been a cautious deceleration in breakeven rates since SVB's collapse, but nothing yet that speaks of a deflationary spiral.

The US labor market has mostly been resilient. This could be driving the message that markets are looking at a scenario of a mild slowdown, and stock markets are rejoicing. As such, in the short term, there doesn't seem to be much attraction for the haven-linked Dollar ahead.

In addition to speeches from Fed policy makers, market participants will closely pay attention to the Fed's Beige Book.



The USDINR Weekly chart indicates the pair found a strong resistance around 82.50 a week earlier and dropped to 81.77 on Spot.

Last week the pair closed just below the 20-Weekly EMA thus indicating a further correction towards 81.30 near the lower Bollinger band this week.

The RSI moving lower too supports the downward move in USDINR. A further downside till 80.80 could be seen in near future where the major Fibonacci 100% retracement support lies. 80.80 might bring the bulls back in the pair and USDINR might see a sharp bounce back in the next few weeks.

Although, there might be some swings witnessed around 81.30 and a bounce back to 81.80 from 81.30 could be seen.

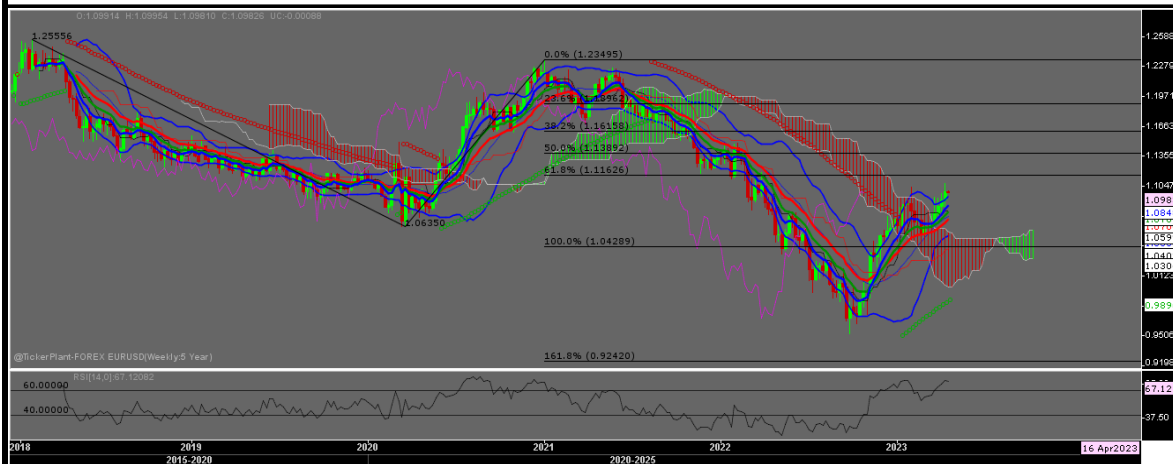
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 82.06 & 82.30 SL 82.70 TGT 81.70-81.55								81.50-82.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.81	81.18	81.55	81.70	81.92	82.07	82.29	82.66	83.03	
Exporters Strategy	Exporters were advised to hedge 50% of their April exposure around 82.30 Spot. Pending to be held open with Stop below 81.50.										
Importers Strategy	Importers were advised to hold their April exposure open/unhedged with Strict Stop above 82.60 Spot. Target rate to start hedging partially is 81.80 on Spot. Target Achieved. Next to be hedged around 81.55 Spot.										

Euro Outlook

The Euro is set to end the week off its fresh yearly high but still in positive territory over the last five days.

The ongoing hawkish rhetoric reminds us that the ECB is still in tightening mode and looks likely to remain that way in the coming months. The final Euro Area inflation print is released this week and looks set to be higher again similar to the prior month, a situation that will give added fuel to the ECB hawks. The latest monetary policy accounts are released on April 20, and while they do not capture the market's attention as much as the Fed minutes, they do give an insight into the current thinking within the central bank.

Tuesday's release of the German ZEW survey can be seen showing expectations modestly improving while the current situation remains deeply in negative territory and nowhere near the 10-year average of about 5. ECB's Elderson speaks on Tuesday in New York. On Wednesday, we get the inflation reading and hear from ECB's Schnabel, ECB's Lane and ECB's de Cos. On Thursday, traders will dissect the ECB March meeting account for any hints about future rate hikes and look to see if Eurozone consumer confidence contains anything larger than a minor improvement. Friday, the eurozone April PMI readings will be watched which are expected to show manufacturing activity improved while service sector activity softened.



The EURUSD Weekly chart indicates that the pair closed well above the narrowed Bollinger bands after couple of attempts in the past weeks to move higher above the Upper Bollinger band. Although the pair closed positively last week and is comfortably trading above the 8-13-20 Weekly EMAs, the pair seems to be overbought as indicated by the Bollinger-RSI combination and does not seem to have enough strength and momentum to move higher strongly above the next Fibonacci resistance at 1.1160. Last week high around 1.1080 could act as an interim resistance in the pair which could lead to a drop down to 1.0850. 1.0720 is protected by the 8-13-20 Weekly EMAs while major support in EURUSD lies at 1.06. EURUSD being overbought one can go short this week.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 1.1080-1.1120 SL 1.1220 TGT 1.0850				Sell 90.70-91.00 SL 91.70 TGT 89.80-89.50				1.0850-1.1120 89.50-91.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		86.32	87.51	88.70	89.48	89.89	90.67	91.08	92.27	93.46	
Exporters Strategy	Exporters were advised to hedge 50% of their April exposure around 90.00 Spot. Target Achieved. Pending to be held open with strict Stop below 88.00 Spot.										
Importers Strategy	Importers were advised to hedge 50% of their April payables around 88.80 on Spot. Target Achieved. Pending to be held open/unhedged with Strict Stop above 90.50 Spot.										

British Pound Outlook

The sell-off in Dollar last week spurred Pound to a new yearly high. However GBP/CHF or EUR/GBP had a 'mixed' performance.

Chatter from MPC members within the BoE last week referenced the UK lending conditions, bumpier than expected inflation, and not so exciting UK GDP.

UK GDP showed a modest improvement Y-o-Y but the UK economy failed to grow in the March however, at the same time avoided a contraction, coming in at 0%. The BoE's Chief Economist Huw Pill mentioned that lending conditions were observed to have "slowed only slightly", while the MPC remain confident that inflation will be lower in Q2 despite last month's failed attempt to bring inflation below double digits.

One thing the Pound has on its side is a positive and rising interest rate differential against the US. Stronger levels appear to be supporting cable higher at the same time markets are dumping the Dollar.

The BoE has another difficult decision to make next month as it considers another potential rate hike, although, the recent stability in the banking sector may have afforded the MPC more room to hike. Dovish BoE member Tenreyro mentioned on Friday that “we need to be patient over the impact of past rate rises on inflation”, signaling that we could see another split vote come May.



The GBPUSD Weekly chart indicates the pair witnessed an upmove from the 1.2413 levels to 1.2550 and settled at 1.2413 last week.

The pair, last week managed to hold above the 8-13-20 Weekly EMAs but similar to Euro does not possess enough strength and momentum to hold above the narrowed Bollinger bands and rise higher.

The Bollinger-RSI combination indicates the pair is almost overbought and is due for a correction after rallying for the last 7 weeks.

1.2140 acts as a very strong support guarded by the 20 W-EMA and the 100% Fibonacci support.

While we advice to go short on the pair around last week's highs, it is best to keep booking small profits in one's short positions.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.2530 SL 1.2630 TGT 1.2320				Sell 102.90-103.30 SL 104.30 TGT 101.80-101.20				1.2300-1.2550 101.20-103.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		99.07	100.11	101.15	101.84	102.19	102.88	103.23	104.27	105.31	
Exporters Strategy	Exporters were advised to hedge their April exposure (50%) between around 102 Spot. Target Achieved. Pending exposure to be held open with Stop below 100.80 Spot.										
Importers Strategy	Importers were advised to hold their April exposure open targetting around 101 on Spot. Target Achieved. Pending exposure to be held open with Stop above 102.80 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
17.04.2023	08:30 PM	EUR	ECB President Lagarde Speaks		
18.04.2023	07:30 AM	CNY	GDP (YoY) (Q1)	4.0%	2.9%
		CNY	Industrial Production (YoY) (Mar)	2.6%	2.4%
	11:30 AM	GBP	Average Earnings Index +Bonus (Feb)	5.1%	5.7%
		GBP	Claimant Count Change (Mar)	10.2K	-11.2K
	02:30 PM	EUR	German ZEW Economic Sentiment (Apr)	15.1	13.0
	06:00 PM	USD	Building Permits (Mar)	1.450M	1.550M
19.04.2023	11:30 AM	GBP	CPI (YoY) (Mar)	9.8%	10.4%
	02:30 PM	EUR	CPI (YoY) (Mar)	6.9%	6.9%
	08:00 PM	USD	Crude Oil Inventories	-0.583M	0.597M
20.04.2023	06:45 AM	CNY	PBoC Loan Prime Rate		3.65%
	05:00 PM	EUR	ECB Publishes Account of Monetary Policy Meeting		
	06:00 PM	USD	Initial Jobless Claims	240K	239K
		USD	Philadelphia Fed Manufacturing Index (Apr)	-20.0	-23.2
	07:30 PM	USD	Existing Home Sales (Mar)	4.50M	4.58M
21.04.2023	11:30 AM	GBP	Retail Sales (MoM)	-0.5%	1.2%
	01:30 PM	EUR	German Manufacturing PMI (Apr)	45.6	44.7
		EUR	German Manufacturing PMI (Apr)	53.2	53.7
	02:00 PM	GBP	Composite PMI	52.6	52.2
	07:15 PM	USD	Manufacturing PMI	49.0	49.2
		USD	Services PMI	51.5	52.6

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