

Currencies Weekly Report

Week of 31.10.2022

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Global Economic Review & Outlook

Discussion on the size of future hikes amongst FED members coupled with softer economic data have sent Dollar down and equities up. The FED is expected to reaffirm it's inflation fighting stance this week and for rates to continue to trend higher.

The ECB hiked rates by another 75bp but was willing to give even less guidance than before on the future. Euro tumbled in response from high levels.

India's economy is losing momentum also confirmed the latest PMI readings. The growth outlook continues to dampen and the current rate hike cycle has started to weigh on the economy.

The RBI will have an out-of-cycle meeting next week as the government urges them to get inflation back under 6%. One can expect some RBI action before the December 5-7th policy decision.

Strict anti-COVID measures are about to send China's factory activity back into contraction. The global growth outlook will struggle as China's economy struggles to recover. Both services and manufacturing data are expected to weaken in October.

Oil markets remain volatile as China ramps up COVID restrictions, some US oil giants signal modest commitments to boost production, and the global economic outlook continues to dim.

The bullish case for gold is improving as financial markets begin to grow optimistic that Fed will begin deliberation of a slower pace of tightening.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11102.45	10859.72	2.24
DOW JONES	32861.34	31083.02	5.72
NIKKEI	27105.20	26890.58	0.80
HANGSENG	14863.06	16211.12	-8.32
CAC	6273.05	6035.39	3.94
DAX	13243.33	12730.90	4.03
FTSE	7047.67	6969.73	1.12
FX	Last Close	Previous Week	% CHANGE
DX	110.75	112.01	-1.12
EURUSD	0.9965	0.9859	1.08
GBPUSD	1.1616	1.1297	2.82
USDJPY	147.48	147.63	-0.10

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	--	82.7626	--	82.3889	82.4092
EURINR	--	81.6988	--	82.9063	82.1405
GBPINR	--	93.4075	--	95.6228	95.1129
JPYINR	--	55.58	--	56.57	56.25

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	--	--	--	--	--
Tuesday	82.7450	83.1100	83.5550	84.0650	84.4700
Wednesday	--	--	--	--	--
Thursday	82.6950	83.0400	83.5650	83.9975	84.4300
Friday	82.6750	83.0450	83.5700	84.0100	84.4500

Dollar Outlook

The DXY has declined by more than 1 percent over the past week. The first reason for this downmove is an improvement in risk appetite. U.S. equities rose last week, denting demand for the Dollar. The optimism on Wall Street could be explained by an overall solid earnings season so far.

The second reason for the dollar's stumble is a moderation in Federal Reserve's hawkish expectations ahead of November's monetary policy announcement.

Markets have pulled back projections of a 50-bp hike in 2023, falling to just a quarter of a percentage move.

The Fed is almost surely going to deliver another 75-bp rate hike on Wednesday, bringing rates to 4%. Markets, however, are more interested in what's after.

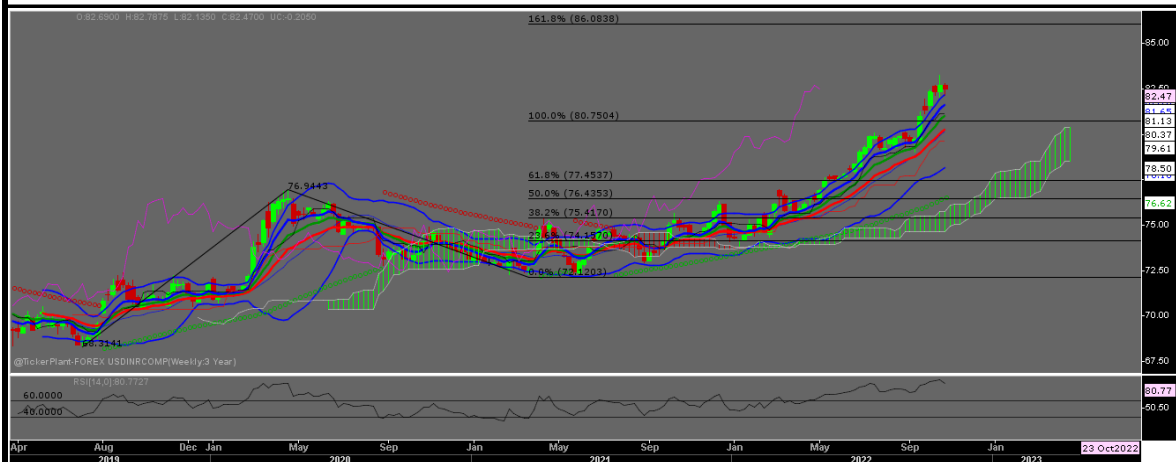
A 50-bp rise is priced in for December, followed by 25bps in January. In other words, there are rising expectations of a Fed moderation brewing in financial

markets, likely contributing to the rise in equities and the Dollar's drop.

It remains uncertain how Fed policymakers will approach the pace of tightening in the coming months, knowing that balance sheet reduction is in full swing.

Attention then shifts to Friday's US non-farm payrolls report. The unemployment rate may rise to 3.6% from 3.5%. Such a cooldown in the labor market could

reinforce Fed moderation language. This may hurt the Dollar further.



The USDINR Weekly chart indicates the pair, after testing near 83.25 in the week earlier has cooled off to spend much of the last week around 82.50.

Although, there has been a complete range shift in the pair in the month of October, it is too early to say if this 81-83.50 range would be sustained.

The pair is in an extremely overbought zone throughout October and can witness a sharp correction going ahead in November.

USDINR has been trading above the Upper Bollinger with RSI above 80 and can retrace back to around 81.50 in the week ahead.

Parabolic SAR penetrating Ichimoku cloud from below might as well lead the pair to a major correction.

One can go short around 83 with strict stops above 83.50 on Spot.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways- Bullish	Sell 82.70-83.10 SL 83.50 TGT 81.80-81.20								81.00-83.10		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.51	81.16	81.81	82.14	82.46	82.79	83.12	83.77	84.42	
Exporters Strategy	Exporters are advised to hedge 50% of their November exposure around 82.50 Spot. Pending to be held open with Stops below 81.80.										
Importers Strategy	Importers are advised to hold November exposure open with Stop above 82.80 Spot. Target booking 50% around 81.80.										

Euro Outlook

EURUSD snaps the recent series of higher highs and lows following the ECB meeting, and the euro may struggle to retain the strength as the Fed is expected to implement another 75bp rate hike.

EURUSD continues to pullback from a fresh monthly high (1.0094) as the ECB emphasizes that the Governing Council has “made substantial progress in withdrawing monetary policy accommodation,” and it seems as though Lagarde and Co. have little intentions of pursuing a restrictive policy as economic activity in the Euro Area is expected to weaken over “the remainder of this year and the beginning of next year.”

In contrast, the FOMC may continue to strike a hawkish forward guidance at its next interest rate decision as the update to the US PCE Price Index shows another uptick in the Fed's preferred gauge for inflation. In turn, the FOMC may maintain its approach in combating inflation as "many participants emphasized that the cost of taking too little action to bring down inflation likely outweighed the cost of taking too much action," and the committee may show a greater willingness to carry out a highly restrictive policy as the NFP report points to a resilient labor market.

With that said, another 75bp Fed rate hike along with a hawkish forward guidance may drag on EURUSD, and the Euro may face headwinds ahead.



The EURUSD Weekly chart indicates the pair has recovered last week, where it moved above the 8 & 13 Weekly EMAs to test the 20- WEMA at 1.0094.

The pair found a strong footing at 0.97 in the week earlier at the Lower Bollinger band.

The RSI too has moved up from 26 to just cross 40 during this period, thus turning the pair fairly bullish for the week ahead.

The Parabolic SAR has penetrated the bearsih Ichimoku cloud from above but is still near the borders of the cloud, not indicating a clear reversal in the pair at the moment.

Technically, the pair seems to continue its move upward until it tests the 1.0430 resistance.

In the week ahead EURUSD can move up to test 1.01 yet again.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish-Sideways	Buy 0.9950-0.9900 SL 0.9800 TGT 1.0100				Buy 81.40-81.10 SL 80.70 TGT 82.80				0.9900-1.0100 81.00-82.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		77.89	79.33	80.76	81.42	82.20	82.86	83.63	85.07	86.50	
Exporters Strategy	Exporters are advised to hedge 50% of their November exposure around 82.50-82.80 Spot. Pending to be held open with Stops below 80.70.										
Importers Strategy	Importers are advised to hedge 50% of their November payables around 81.50. Pending to be held open with Stops above 82.80 on Spot.										

British Pound Outlook

Tax hikes are certainly difficult to accept at a time when the UK is experiencing a cost-of-living crisis fueled by surging inflation as a result of rising energy costs. However, the rationale of sound public finances ought to be enough to see generalized support to the new proposed measures. Chancellor Hunt is set to deliver the UK's fiscal statement on the 17th of November.

The GBPUSD Weekly chart indicates the pair has been on a strong recovery last week, where it has breached the 8 & 13 Weekly EMAs to test the 20- WEMA.

The pair found a strong footing at 1.0850 levels in the last week of September when it started the recovery.

The RSI too has moved up from 21 to 44 during this period, thus taking the pair up near the Mid of the Bollinger Bands.

The Parabolic SAR has penetrated the bearsih Ichimoku cloud from above, indicating a halt in the downtrend and a continued upmove in the pair.

Technically, the pair is expected to continue its move in the North untill it tests the 1.21 resistance.

In the week ahead small hurdles can be faced around 1.1750.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Buy 1.1500 SL 1.1400 TGT 1.1700-1.1750				Buy 94.70-94.40 SL 93.60 TGT 96.10-96.30				1.1500-1.1750 94.40-96.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		87.23	89.72	92.21	93.66	94.70	96.15	97.19	99.68	102.17	
Exporters Strategy	Exporters are advised to hedge their November exposure partially (50%) around 96 Spot. Pending to be held open with Stops below 93.50 Spot.										
Importers Strategy	Importers are advised to hedge partially (50%) near 94.50 Spot for November exposure. Pending to be held open with Stop above 96.50 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
31.10.2022	03:30 PM	EUR	CPI (YoY) (Oct)	10.2%	9.9%
01.11.2022	03:00 PM	GBP	Manufacturing PMI (Oct)	45.8	45.8
	07:30 PM	USD	ISM Manufacturing PMI (Oct)	49.9	50.9
		USD	JOLTs Job Openings (Sep)	10.000M	10.053M
02.11.2022	02:25 PM	EUR	German Manufacturing PMI (Oct)	45.7	45.7
		EUR	German Unemployment Change (Oct)	13K	14K
	05:45 PM	USD	ADP Nonfarm Employment Change (Oct)	190K	208K
	08:00 PM	USD	Crude Oil Inventories		2.588M
	11:30 PM	USD	FOMC Statement		
		USD	Fed Interest Rate Decision	4.00%	3.25%
03.11.2022	12:00 AM	USD	FOMC Press Conference		
	03:00 PM	GBP	Composite PMI (Oct)	47.2	47.2
		GBP	Services PMI (Oct)	47.5	47.5
	05:30 PM	GBP	BoE Interest Rate Decision (Nov)	3.00%	2.25%
	06:00 PM	GBP	BoE Gov Bailey Speaks		
	06:00 PM	USD	Initial Jobless Claims	220K	217K
	07:30 PM	USD	ISM Non-Manufacturing PMI (Oct)	55.4	56.7
04.11.2022	03:00 PM	GBP	Construction PMI (Oct)	48.0	52.3
	03:00 PM	EUR	ECB President Lagarde Speaks		
	06:00 PM	USD	Nonfarm Payrolls (Oct)	200K	263K
		USD	Unemployment Rate (Oct)	3.6%	3.5%

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