

Currencies Weekly Report

Week of 20.03.2023

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Global Economic Review & Outlook

The European Central Bank hiked interest rates by 50-bps on Thursday, as expected, and reiterated that rates would continue to rise to tackle the uncomfortably high and sticky inflation.

Fed rate decision is the next major event. The recent financial turmoil plays an important role in the FOMC decision.

The Bank of England meeting on Thursday also will be closely watched for the outcome on interest rates.

With banks in trouble, markets look to the 2008 Financial Crisis for clues. Unlike previous crisis, which was due to collapse in credit quality, today's banks are in trouble as they didn't believe the Fed could tighten.

Central banks are expected to continue to be more worried about getting inflation under control, rather than problems at minor banks going bankrupt. The ECB's 50bp hike this week was an example to be followed by the Fed next week.

It is a challenging task for the Bank of England to hike rates while banking stocks are fighting the sell-off as fears of systemic risk rippled through global banks after the collapse of three midsized US banks.

Inflation is the focus in Japan this week. The national CPI reading for February is expected to cool from 4.3% to 3.3%.

In India, markets are still pricing in one more rate hike in the tightening cycle at the next meeting on April 6th as inflation still remains well above their 6% target ceiling.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11717.28	11138.89	5.19
DOW JONES	31858.89	31909.96	-0.16
NIKKEI	27333.79	28143.97	-2.88
HANGSENG	19518.59	19319.92	1.03
CAC	6920.01	7220.67	-4.16
DAX	14768.20	15427.97	-4.28
FTSE	7335.40	7748.35	-5.33
FX	Last Close	Previous Week	% CHANGE
DX	103.86	104.58	-0.69
EURUSD	1.0664	1.0637	0.26
GBPUSD	1.2175	1.2031	1.20
USDJPY	131.81	135.04	-2.40

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	81.9132	82.3619	82.4955	82.6841	82.4663
EURINR	87.8393	88.1047	88.5452	87.6672	87.8090
GBPINR	99.2215	100.1845	100.2485	99.8063	100.2477
JPYINR	60.94	61.64	61.22	62.22	62.03

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.1775	82.5450	82.9925	83.4475	83.9025
Tuesday	82.5350	82.9075	83.3575	83.8300	84.3100
Wednesday	82.6400	83.0100	83.4525	83.9125	84.4000
Thursday	82.7675	83.1400	83.6050	84.0825	84.5700
Friday	82.5875	82.9575	83.4175	83.8800	84.3525

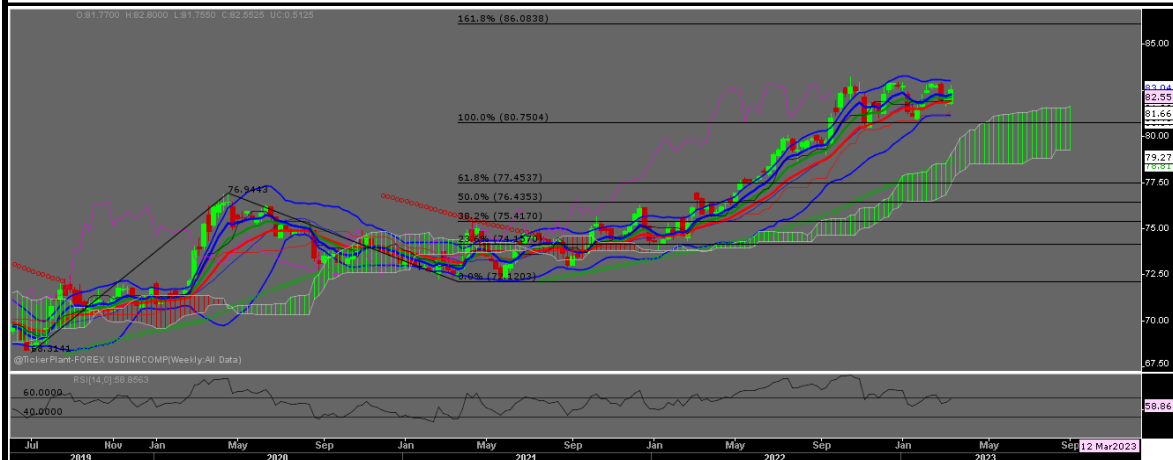
Dollar Outlook

A week ago, almost everybody was thinking the Fed would accelerate the pace of rate hikes as disinflation trends were struggling given a robust core services inflation reading and tight labor market conditions. A banking crisis, however, changed how Fed policymakers are now assessing the impact of the first eight rate hikes.

Ahead, all eyes will be planted on the Federal Reserve on Wednesday. All bets of a 50-bps hike have vanished, with there being rising expectations of an end to the tightening cycle. But, slightly over 50% of expectations favor a 25bps increase.

Whatever the Fed decides, the guidance is expected to be dovish. The FOMC is likely to emphasize the importance of preserving financial stability and its readiness to act to prevent systemic risks from materializing. The implications of this message could lead to extended Dollar weakness.

In addition to the FOMC decision, the week is filled with enough economic data releases. On Tuesday, existing home sales data is expected to show a modest rebound. Thursday contains the release of initial jobless claims, the Chicago Fed national activity index, and new home sales data. On Friday we get the first look at February's durable goods data and the flash PMIs.



The USDINR Weekly chart indicates the pair has been tested around 83 several times since it made a lifetime high of 83.23 in the Mid of October 22.

Last week was no different when USDINR rallied from 81.77 to make a high of 82.80 on Spot.

The week ahead will see similar volatility with even large swings ahead of the FED rate Policy outcome and future guidance.

Technically, USDINR is holding below the Upper Bollinger band but provides no guarantee that it will do so even in the days ahead. The pair is comfortably trading above the 8-13-20 Weekly EMAs, the densely bullish Ichimoku cloud and predominantly above the 100% Fibo retracement of 100.75, but since it is holding below 83 one can only go short with strict stop at 83.40.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 83.00 SL 83.40 TGT 82.00-81.30 / Buy 82.35 SL 81.90 TGT 83.00								81.30-83.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		79.23	80.28	81.32	81.94	82.37	82.98	83.41	84.46	85.50	
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%.										

Euro Outlook

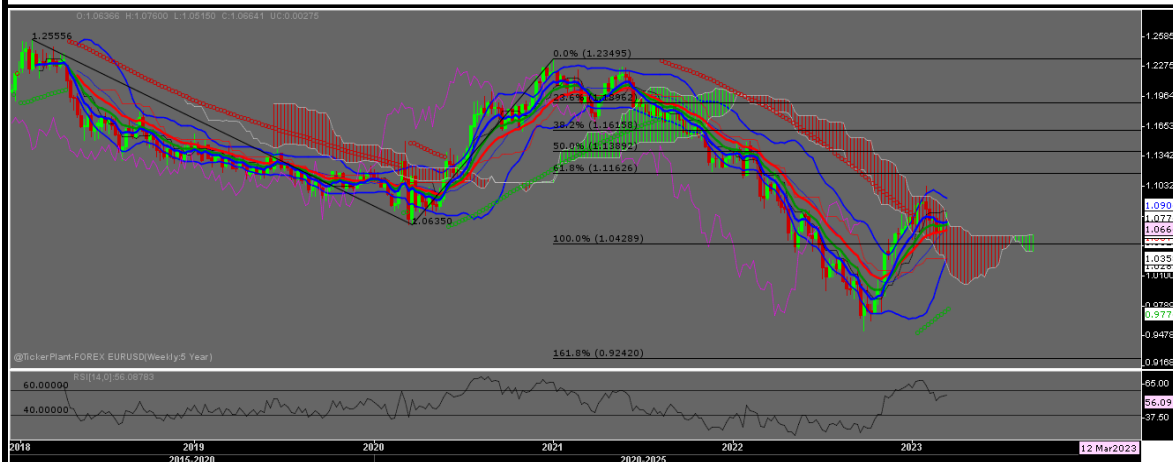
It is obvious that the focus in Europe this week will be majorly on the banking sector and whether recent turmoil has had any ripple effects on weaker institutions or highlighted any vulnerabilities.

The ECB opted to hike by 50-bps as planned, last Thursday, the same time when Credit Suisse's share price collapsed further, sparking fears that the bank may wind-up soon. This was a gutsy decision by the ECB, however it refused to commit further and so comments from President Lagarde next week as the situation evolves will be monitored very closely.

The yield on the 2-year German bond continues to fall, despite the higher rate background, as investors move to safe-haven assets.

This week's Euro Area calendar is very sparse with the latest ZEW economic sentiment data on Tuesday, Flash PMIs on Friday will also be of interest but against the backdrop of recent events, won't bring much impact they may otherwise have.

The moves in Euro this week are largely dependent on the FED and BoE policy decisions.



The EURUSD Weekly chart indicates that the pair, for the last two weeks has been rangebound with no clarity on the direction further.

The 8-13-20 Weekly EMAs have converged and the Bollinger bands too have contracted, as the pair tries to move out of the bearish Ichimoku cloud in the North, thus giving rise to uncertainty on the move in the week ahead.

The further move in the Euro against the Dollar can be expected to be similar to the moves in other majors against the Dollar in such scenario.

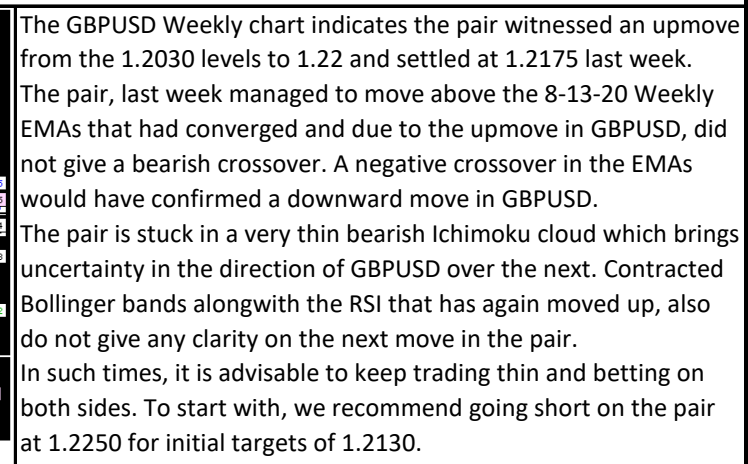
In the week ahead, the pair is expected to witness swings both ways Up & Down and we suggest to trade in thin volumes with small targets and strict stops.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.0780 SL 1.0890 TGT 1.0540				Sell 88.40 SL 89.10 TGT 87.40-86.90				1.0540-1.0780 86.90-88.40		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.74	85.82	86.91	87.37	88.00	88.46	89.09	90.17	91.26	
Exporters Strategy	Exporters were advised to hold their March exposure open/unhedged with Strict Stop below 87.00 Spot. Target 88.50 to hedge 50%. Stop Triggered.										
Importers Strategy	Importers were advised to hedge 50% of their March payables at 87.50 & 25% at 87.00 Spot. Pending to be held open with Stop above 88.50 on Spot targetting 86.20. Target almost achieved last week at 86.27.										

British Pound Outlook

The BoE will certainly monitor the data print with great interest before deciding whether to hike by 25 basis points or take a more cautious approach given the massive volatility that has ensued after global banking fears.

Markets are torn on whether the MPC will hike or not, putting it at a 50/50 chance and it may well be swung by whether there's any further disruption prior to the meeting, as well as the inflation data that is released the day before.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.2250 SL 1.2330 TGT 1.2130-1.2060				Sell 99.00 SL 99.70 TGT 98.00-97.30				1.2060-1.2250 97.30-99.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		95.79	97.16	98.53	99.36	99.89	100.72	101.26	102.63	104.00	
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 last week.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
20.03.2023	06:45 AM	CNY	PBoC Loan Prime Rate	3.65%	3.65%
21.03.2023	03:30 PM	EUR	German ZEW Economic Sentiment (Mar)	16.4	28.1
	07:30 PM	USD	Existing Home Sales (Feb)	4.20M	4.00M
		USD	Existing Home Sales	4.17M	4.00M
	08:00 PM	USD	Crude Oil Inventories		1.550M
22.03.2023	12:30 PM	GBP	CPI (YoY) (Feb)	9.8%	10.1%
	11:30 PM	USD	Fed Interest Rate Decision	5.00%	4.75%
23.03.2023	12:00 AM	USD	FOMC Press Conference		
	05:30 PM	GBP	BoE Interest Rate Decision (Mar)	4.25%	4.00%
		GBP	BoE MPC Meeting Minutes		
	05:30 PM	USD	Building Permits		1.339M
	06:00 PM	USD	Initial Jobless Claims	199K	192K
	07:30 PM	USD	New Home Sales (Feb)	648K	670K
24.03.2023	12:30 PM	GBP	Retail Sales (MoM) (Feb)	0.2%	0.5%
	02:00 PM	EUR	German Manufacturing PMI (Mar)	47.0	46.3
	03:00 PM	GBP	Composite PMI		53.1
		GBP	Manufacturing PMI		49.3
		GBP	Services PMI		53.5
	06:00 PM	USD	Core Durable Goods Orders (MoM) (Feb)	0.2%	0.8%

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