

# Currencies Weekly Report

Week of 22.11.2021

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November 22, 2021

## Global Economic Review & Outlook

A gloomy period with restrictions and lockdowns is all over Europe!

Restrictions are coming back heavily in Europe.

Brexit-risks are back in the limelight as Boris Johnson considers invoking Article 16 in the Northern Irish protocol, which will throw the parties back at the negotiations table. This is a digital risk event for the GBP and BoE.

While negotiations on Northern Ireland protocol are deadlocked, diplomats are expecting PM Johnson to trigger Article 16 within weeks. Under the terms of the post-Brexit trade agreement, Northern Ireland was kept part of EU's single market for goods to avoid a need for checks along the Irish land border as goods enter EU. This means that products moving from Britain to Northern Ireland are subject to checks and controls, which according to the British government is damaging trade and supply lines.

The European Commission has offered to simplify these a great deal, but Britain insists on a total rewrite of the protocol to remove most checks and controls.

Article 16 allows either part - Britain and EU - to suspend any part of the agreement that is causing economic, societal and environmental damage or trade diversion. The British government says this condition is clearly met, entitling it to invoke Article 16.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	16057.40	15861.00	1.24
DOW JONES	35602.18	36100.37	-1.38
NIKKEI	29745.87	29609.97	0.46
HANGSENG	25049.97	25327.97	-1.10
CAC	7112.29	7091.40	0.29
DAX	16159.97	16094.07	0.41
FTSE	7223.57	7347.91	-1.69
FX	Last Close	Previous Week	% CHANGE
DX	96.08	95.12	1.00
EURUSD	1.1280	1.1441	-1.41
GBPUSD	1.3453	1.3413	0.30
USDJPY	114.00	113.89	0.09

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.3548	74.4535	74.3753	74.1552	--
EURINR	85.1878	84.6988	84.0843	83.9190	--
GBPINR	99.8684	99.9350	99.9659	100.0482	--
JPYINR	65.30	65.20	64.76	64.91	--

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.5550	75.0500	75.9950	76.8700	77.7700
Tuesday	74.4400	74.9325	75.8925	76.7925	77.7025
Wednesday	74.3125	74.8075	75.7850	76.6800	77.5900
Thursday	74.2725	74.7725	75.7525	76.6475	77.5525
Friday	--	--	--	--	--

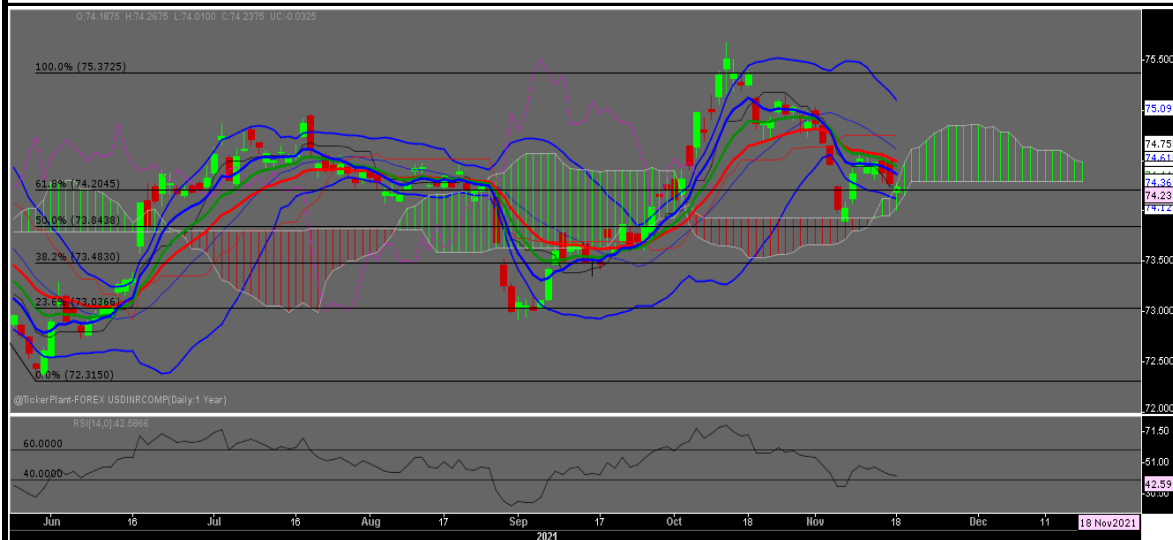
## Dollar Outlook

The US Dollar may remain on the offense in the week ahead as markets turn to important economic event risk from the United States. Inflation has been a hot topic in the country, with headline price growth at its most aggressive since the early 1990s using year-over-year timeframes. Now, the Federal Reserve's preferred gauge of inflation, core PCE, is in focus, which is expected to read at 4.1% y/y in October, up from 3.6% prior. That would be the fastest pace since January 1991.

Ongoing elevated price readings above the central bank's target would likely continue to keep Fed policymakers on their toes.

Data on durable goods orders and new home sales as well as the UoM consumer confidence indicator and minutes from last FOMC meeting are also due.

A near-term source for USD volatility may come from Biden's expected nomination of the next Fed Chair. While Powell may keep his role, expectations for Brainard's nomination have been rising. The markets seem to have determined this to be a more dovish pick. Her nomination could then send front-end yields lower and longer-term rates higher. This may boost stocks at the expense of the US Dollar.



The USDINR Daily chart indicates the Dollar after printing a high of 75.65 in October, slipped to test 73.84 in 2nd week November. A correction of almost Rs. 2 in less than a month brings in heavy buying which could support the pair and take it up again atleast by a rupee (50% recovery).

74.80/85 levels are eyed in the week ahead with the current upward momentum that Dollar possesses globally. 73.85 is a strong support, which the pair has tested and moved north where 74.60 an interim resistance was tested and 75 is the psychological resistance. The Bollinger-RSI combination which supports further upmove in the pair is also justified by a thin bullish Ichimoku cloud.

USDINR at the beginning of this week if manages to move above the 20 DEMA at 74.50, a bullish crossover of 8-13-20 DEMAs could happen leading to further upward move in USDINR till 75.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 74.20 SL 73.90 TGT 74.50-74.80								74.10 - 75.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.68	73.21	73.73	73.99	74.26	74.51	74.79	75.32	75.84	
Exporters Strategy	Exporters are suggested to hedge their November exposure partially (30%) around 74.50 Spot.										
Importers Strategy	Importers were suggested to hedge 30% November payables at 74.70 Spot & 50% around 74.20 Spot. Pending to be held open with Stops above 74.50 Spot.										

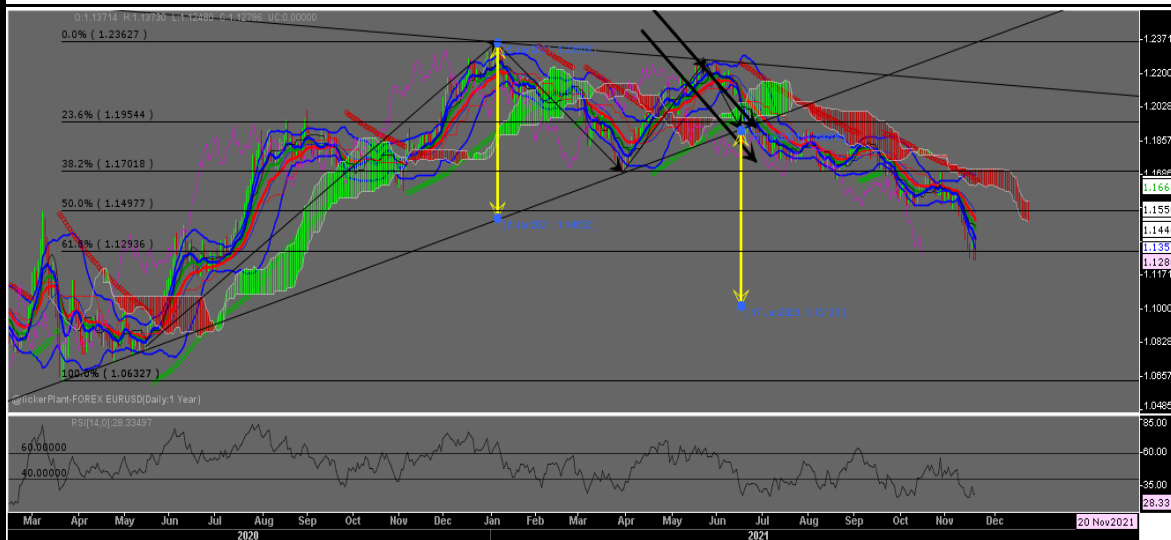
## Euro Outlook

The coronavirus picture in continental Europe continues to worsen and even the news last Wednesday that Eurozone inflation hit 4.2% y-o-y in October – more than twice the ECB’s target – will not lead to a rate hike this year or next year.

That's what ECB President Lagarde has said repeatedly, and traders have finally abandoned their bets that ECB will change mind. Risk reversals are suggesting further weakness, with puts still at a premium and traders have sold into every sizeable rally in EURUSD since late July and will likely do so again.

The only real sign that selling could end soon was the latest Commitments of Traders (CoT) report from the US CFTC that showed hedge funds now only marginally negative EURUSD after some sizeable buying over the past month. Implied volatility is high so some sharp moves either way would be no surprise.

On the economic calendar, the most important release is the Ifo business climate index for Germany, due Wednesday and expected to show a modest slip to 96.8 from 97.7 in October. The “flash” purchasing managers’ indexes for November are due Tuesday.



The EURUSD Daily chart indicates, after the Euro has slipped below the 50% MAJOR Fibo supports of 1.15.

The pair faced further selloff as supported by a dense bearish Ichimoku cloud ahead to end the year.

A continued bearish crossover of 8-13-20 DEMAs indicates a continued selling pressure in EURUSD.

However, the Bollinger-RSI combination indicates the pair is highly oversold and a sudden bounce cannot be ruled out.

In the week ahead, though the pair is still in a major downtrend it might see some recovery from the current lower levels and rise up close to 1.14.

This should be the best level to initiate fresh shorts in the pair.

Hence, for the upcoming week we suggest going long expecting a bounce in the pair with strict stops below 1.1180.

1.17 will act as a very strong resistance in longer term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.1230 SL 1.1180 TGT 1.1330-1.1380				Buy 83.80/83.50 SL 83.00 TGT 84.40-84.60				1.1210-1.1410   83.30-84.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.11	81.55	82.98	83.55	84.42	84.98	85.85	87.29	88.72	
Exporters Strategy	Exporters were advised to hedge 50% around 87 & maintain strict stops at 85.50 on Spot for the remaining 50% of the November exposure. Stop Triggerred.										
Importers Strategy	Importers were suggested to hedge 50% around 86.50 on Spot. Book pendigng around 83.50.										

## British Pound Outlook

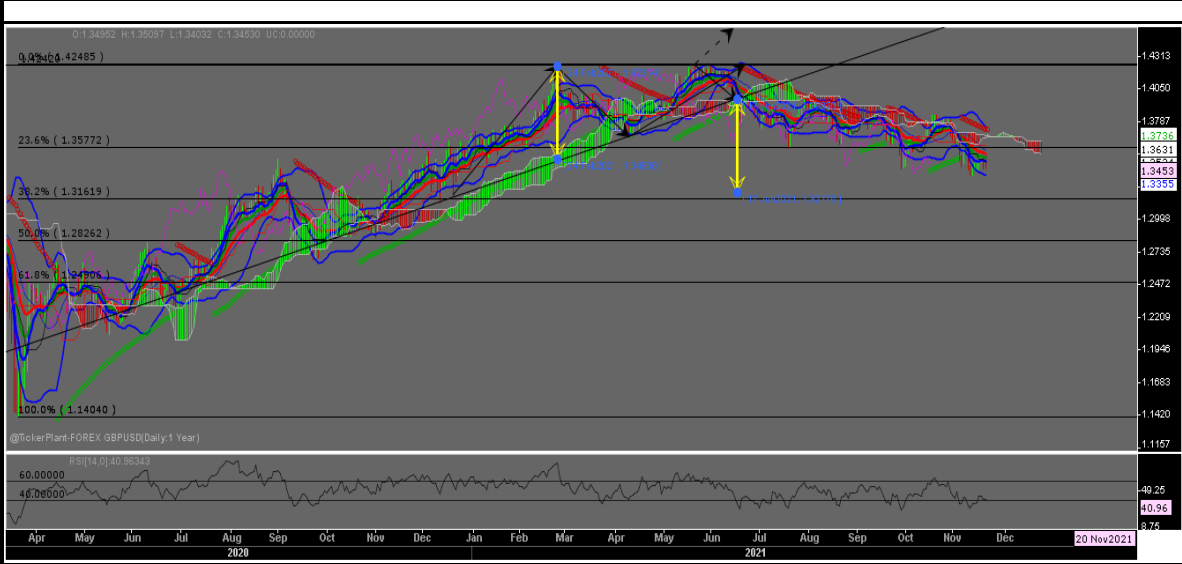
The Pound has recently benefited from positive retail and unemployment data that has increased the probability of a rate hike in December as the BoE prepares to tackle rising inflation.

Although fundamental factors have continued to drive risk sentiment for majors, the Pound currently remains under pressure against a stronger Dollar.

Amid growing concerns surrounding the potential implementation of Article 16 and the risk of an UK-EU trade war, the dovish tone from the ECB and rising Covid-19 cases reported in Europe have supported EURGBP weakness as the Euro continues to suffer against the Sterling.

Economic calendar is light for the UK except the flash PMIs due on Tuesday and Bailey's speech towards the end of the week.

Bailey earlier had shown concerns on the inflation outlook saying that it could be “elevated for longer” but there is also a chance that inflation does not prove as persistent as feared.



The GBPUSD Daily chart indicates, Pound halted the short term reversal and continued to move lower after it found a strong resistance at the 23.6% Fibo retracement at 1.3575 which it had breached recently.

GBPUSD, however, recovered a little in the week gone as the pair was highly oversold as indicated by the Bollinger-RSI combination. In longer term, GBPUSD still continues to hold bearish trend after it breached the triangle supports, indicating the pair might fall close to 1.3160 the 38.2% Fibo support.

But, in the week ahead, one can expect a further recovery in the pair atleast to the 23.6% Fibo level of 1.3575 which will act as a strong resistance yet again.

1.34 would be an ideal level to go long on the pair with strict stops below 1.33.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 1.34 SL 1.33 TGT 1.3510/60				Buy 99.60/40 SL 98.80 TGT 100.40				1.3380-1.3570   99.40-100.40		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		98.21	98.82	99.43	99.79	100.04	100.40	100.65	101.26	101.87	
Exporters Strategy	Exporters were suggested to hedge their November exposure partially (50%) around 102.50 Pending to be held open with Stops below 101.30. Stops triggered.										
Importers Strategy	Importers were suggested to hedge partially near 101 for November exposure. Pending exposure to be booked around 99.60 Spot.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
23.11.2021	01:45 PM	EUR	French Flash Services PMI	55.1	56.6
	02:00 PM	EUR	German Flash Manufacturing PMI	56.6	57.8
		EUR	German Flash Services PMI	51.4	52.4
	02:30 PM	EUR	Flash Manufacturing PMI	57.2	58.3
		EUR	Flash Services PMI	53.6	54.6
	03:00 PM	GBP	Flash Manufacturing PMI	57.2	57.8
		GBP	Flash Services PMI	58.2	59.1
	08:15 PM	USD	Flash Manufacturing PMI	59.0	58.4
		USD	Flash Services PMI	59.1	58.7
24.11.2021	02:30 PM	EUR	German ifo Business Climate	96.8	97.7
	07:00 PM	USD	Prelim GDP q/q	2.2%	2.0%
		USD	Core Durable Goods Orders m/m	0.5%	0.5%
		USD	Durable Goods Orders m/m	0.2%	-0.3%
		USD	Unemployment Claims	259K	268K
	08:30 PM	USD	Core PCE Price Index m/m	0.4%	0.2%
		USD	Revised UoM Consumer Sentiment	66.8	66.8
	09:00 PM	USD	Crude Oil Inventories		-2.1M
25.11.2021	12:30 AM	USD	FOMC Meeting Minutes		
	10:30 PM	GBP	BOE Gov Bailey Speaks		
27.11.2021	Tentative	USD	Treasury Currency Report		

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