Currencies Weekly Report

Week of 31.05.2021



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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 loger 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 10 yr 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.

		RBI Reference Rate											
	MONDAY TUESDAY WEDNESDAY THURSDAY												
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								

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
DXY	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

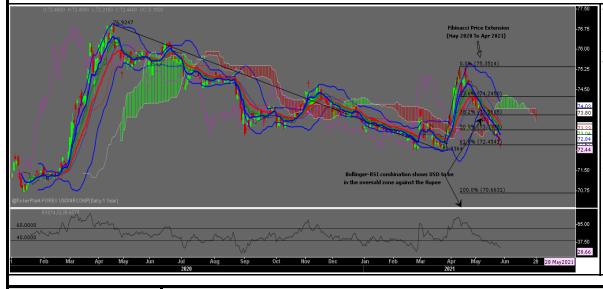
	USDINR Forward Rates (Month End)										
	1 Month	3 Month	6 Month	9 Month	12 Month						
Monday	72.9650	73.7050	74.6850	75.6100	76.5150						
Tuesday	73.1400	73.8325	74.7975	75.6750	76.6200						
Wednesday											
Thursday	72.8950	73.5900	74.5600	75.4500	76.4000						
Friday	72.7500	73.4400	74,41	75.3000	76.2450						

Dollar Outlook

The US Dollar did not have a good month of May, despite favorable seasonality conditions. The rising inflation expectations and stagnant Treasury yields resulted into erosion of US real yields, proved to be a negative influence on US Dollar. Going forward in June, the US Dollar remains vulnerable to movements either side, ahead of economic data releases.

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.

On Tuesday, the final May manufacturing PMI will be released. On Wednesday, weekly US mortgage applications data are due along with release of the Fed Beige Book. On Thursday, the May US ADP employment change report will be released after weekly US jobless claims data. May US nonfarm payrolls and unemployment rate figures are due alongside May US wage growth figures on Friday.



The USDINR Daily chart indicates the Dollar has been in a continued depreciating mode versus the Rupee since 2nd half of April 21 after making a Doble Top at 75.32 in 3rd Week April. The Fibonacci price extension drawn for the period May 2020-Apr 2021 shows the pair has tested the 61.8% Fibo major level of 72.45 last week and has manged to close around the same. The Bollinger-Rsi combination however, shows the pair is in its oversold zone and that the pair might see a sharp reversal from anywhere 72.45 on Spot only to move up to 73.30-73.50 zone where the 20- day EMA lies.

In this first week of June, USDINR Spot might see an upward move if it holds the 72.30/45 zone.

Ofcourse, the Dollar Index, which is at crucial supports also indicates the Dollar will soon gain strength.

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		
		S4	S3	S2	S1	Pivot	R1	R2	R3	R4			
Pivot Levels		70.60	71.26	71.92	72.18	72.58	72.84	73.24	73.90	74.56			
Exporters Strategy	Exporte	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 suggeste	ed to hedge p	partially arou		June at arou emaining 40%	•	OT) levels &	maintain sto	ops at 73.00	for for the		

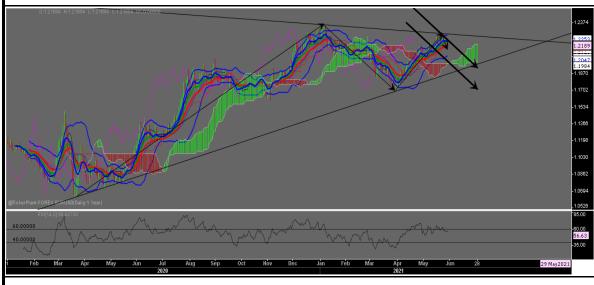
Euro Outlook

Throughout the month of May, the Euro has been gaining against the Dollar, making a move up from 1.20 levels to levels above 1.22. However, with the Dollar expected to gain more traction, this rally in Euro might face a halt this week.

A tightening of US monetary policy is the key factor to the Euro going forward next week and in the month of June. Although any such move is still months away and has, anyway, been more or less priced in. Moreover, while ECB policymakers have been sounding less hawkish recently, the forward-looking EZ economic data have been improving. Germany's Ifo business climate indicator, for example, came in above expectations last week.

Turning to the week ahead, the key regional data releases will be German inflation Monday and Eurozone inflation Tuesday.

Even if ECB officials continue to insist that price rises will be temporary and therefore not a problem, better actual readings on these datapoints as forecasted can reflect on market sentiments that the ECB will be forced to respond to rising inflation—benefiting the Euro.



The EURUSD Daily chart indicates the Euro has been in a continued appreciating mode versus the Dollar since beginning of April 21 after finding a strong support at 1.17 at the end of March, which, however, has now halted in the past week after finding a Triangle resistance around 1.2266.

The pair also slipped below the 8-13-20 EMAs last Friday but somehow managed to close near the 8-day EMA.

The Bollinger-RSI combination already shows the pair is overbought in the near term and as mentioned in reports earlier, might see corrections.

1.20 shall act as a strong support in longer term and any corrections near 1.2050/60 shall see good buying.

This week, we might see further correction in the Euro and any rise around 1.2220/40 should be used to go short on the pair for targets of 1.2120 & 1.2060.

Weekly Bias	Weekly Trading Strategy (SPOT)									Weekly Range		
Bearish	Sell 1.22	40/20 SL 1.22	260 TGT 1.212	0-1.2060	Sell 88.	30/70 SL 89.	.00 TGT 87.8	30-87.40	1.2060-1.2260 87.40-89.00			
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4		
		85.02	86.20	87.37	87.82	88.54	88.99	89.71	90.89	92.06		
Exporters Strategy	Exporte	Exporters are advised to hedge 50% around 88.50 & maintain strict stops at 87.80 on Spot for the remaining 50% of the June exposure.										
Importers Strategy	Impo	Importers are suggested maintain stops at 88.90 on Spot targetting 87.80 to start partially hedging their June exposures.										

British Pound Outlook

GBP too has managed to hold onto gains throughout May, that started with views from BoE's Vlieghe, who provided rather hawkish comments having discussed conditions where a rate hike in 2022 may be appropriate. This move in Pound highlights how sensitive markets have become to changes in the stance from central banks.

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. The economic calendar is light on the UK side, therefore much of the focus will be on data releases in the U.S., most notably the US NFP report.

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.



The GBPUSD Daily chart indicates the Pound has gained an upward momentum since the Mid of April 21 and after being rangebound throughout April, has moved north further sustaining the 8-13-20 EMA bullish crossover with a few slippages. The pair is at a crucial juncture where it is at the major resistance of an ascending triangle pattern formation which if the pair follows will breach 1.4242 and move further higher and if not might see a sharp correction to the first Fibonacci support of 23.6% at 1.3570 in the long term. However, the ascending triangle support (bottom) around 1.40 shall provide a strong support to the pair in the near term. The pair clearly has a strong resistance between 1.4240 this coming week which might push the Pound lower back to 1.41

Weekly Bias	Weekly Trading Strategy (SPOT)									Weekly Range		
Bearish	Sell 1.42	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											
Exporters Strategy	remaining 50%.											
Importers Strategy	Importers	are suggeste	ed to mainta	in a strict Sto	op above 103	3.40 on Spot	targetting lo	wer levels c	f 102.30 to s	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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