

# Currencies Weekly Report

Week of 17.05.2021

## Global Economic Review & Outlook

U.S. retail sales unexpectedly held back in April as the boost from stimulus faded, but one might witness acceleration in the coming months amid record savings and a reopening economy.

The U.S. Commerce Department report last Friday showed retail sales in March were much stronger than previously estimated, setting consumer spending on a higher growth trajectory, heading into Q2. There were signs that Americans started shifting their spending from goods to services like restaurants and bars, with more than a third of the population vaccinated in the U.S.

It was a wild week in financial markets. Stocks tumbled while the dollar lost some ground as inflation finally popped out, reigniting worries about higher interest rates being on the horizon sooner than later.

Wall Street advanced in a broad rally at the end of the week as signs of economic revival clashed with mounting inflation jitters.

All three major U.S. indices built on Thursday's gains, in which the S&P 500 saw its biggest one-day percentage bump in over a month.

Asian Equities too could start the upcoming week on a stronger note, but might not continue throughout.

The upcoming week seems calmer- at least the FX markets, ofcourse with a few speeches from the FOMC & MPC members lined up.

There are no central bank meetings and the minutes of the latest Fed policy meet will likely be seen as outdated.

Instead, all eyes will be on the PMI business surveys out of the Eurozone.

| INDICES   | Last Close | Previous Week | % CHANGE |
|-----------|------------|---------------|----------|
| NASDAQ    | 13429.98   | 13752.24      | -2.34    |
| DOW JONES | 34382.13   | 34777.76      | -1.14    |
| NIKKEI    | 28084.47   | 29357.82      | -4.34    |
| HANGSENG  | 28027.57   | 28610.65      | -2.04    |
| CAC       | 6385.14    | 6385.51       | -0.01    |
| DAX       | 15416.64   | 15399.65      | 0.11     |
| FTSE      | 7043.61    | 7129.71       | -1.21    |
| FX        | Last Close | Previous Week | % CHANGE |
| DX        | 90.32      | 90.23         | 0.10     |
| EURUSD    | 1.2145     | 1.2162        | -0.14    |
| GBPUSD    | 1.4092     | 1.3988        | 0.74     |
| USDJPY    | 109.35     | 108.58        | 0.71     |

|        | RBI Reference Rate |          |           |          |          |
|--------|--------------------|----------|-----------|----------|----------|
|        | MONDAY             | TUESDAY  | WEDNESDAY | THURSDAY | FRIDAY   |
| USDINR | 73.4135            | 73.4518  | 73.4389   | --       | 73.3721  |
| EURINR | 89.2498            | 89.1514  | 89.1171   | --       | 88.7568  |
| GBPINR | 103.2497           | 103.6757 | 103.7951  | --       | 103.0467 |
| JPYINR | 67.41              | 67.44    | 67.51     | --       | 67.0100  |

|           | USDINR Forward Rates (Month End) |         |         |         |          |
|-----------|----------------------------------|---------|---------|---------|----------|
|           | 1 Month                          | 3 Month | 6 Month | 9 Month | 12 Month |
| Monday    | 73.5100                          | 74.2250 | 75.1750 | 76.0850 | 76.9800  |
| Tuesday   | 73.4750                          | 74.2100 | 75.1700 | 76.1000 | 77.0000  |
| Wednesday | 73.5350                          | 74.2950 | 75.2350 | 76.1600 | 77.0500  |
| Thursday  | --                               | --      | --      | --      | --       |
| Friday    | 73.3850                          | 74.1600 | 75.1100 | 76.0350 | 76.9300  |

## Dollar Outlook

Taper talks suggesting the Federal Reserve may have to tighten policy sooner than the markets initially believed injected last week's run. Markets priced in a less dovish path for the Fed, assuming that the higher inflation print will continue into forward months, dispelling Chair Jerome Powell's "transitory" outlook on prices. Those assumptions were tempered and lost heat into the weekend, but the move highlights the impact price pressures can have on financial markets.

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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 Double Top at 75.32 in 3rd Week April. The Fibonacci price extension drawn for the period May 2020-Apr 2021 shows the pair is approaching the 50% Fibo major level of 73.00 as it breached the 73.50 mark last week. 73.50 also is an Ichimoku cloud support level, and with the Bollinger-Rsi combination showing the pair is near the oversold zone, it is expected that USDINR might find strong support around 73 on Spot and reverse its downward trajectory to only move up to 73.50-73.80 zone which as per the 8-13-20 EMAs would be a major resistance zone.

In this 2nd half of May, USDINR Spot might not see a sharp upward move but is most likely to resume the upward trend approaching the 73.80 mark.

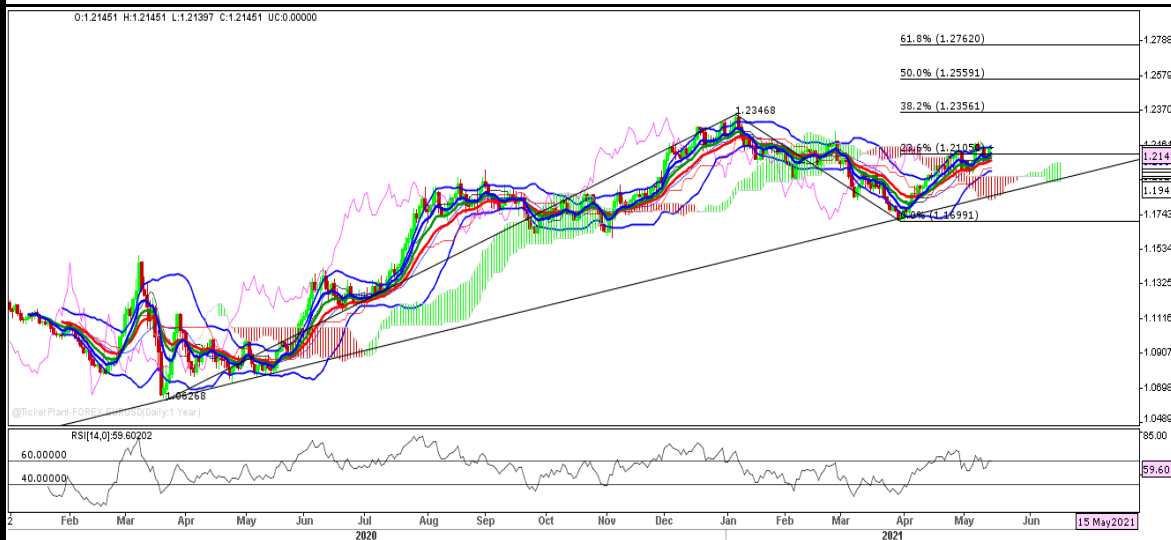
| Weekly Bias        | Weekly Trading Strategy (SPOT)   |       |       |       |       |       |       |       | Weekly Range  |       |  |
|--------------------|--|-------|-------|-------|-------|-------|-------|-------|---------------|-------|--|
| Neutral- Bullish   | Buy 73.20/25 SL 73.00 TGT 73.45/60   |       |       |       |       |       |       |       | 73.05 - 73.45 |       |  |
| Pivot Levels       |  | S4    | S3    | S2    | S1    | Pivot | R1    | R2    | R3            | R4    |  |
|                    |  | 72.45 | 72.75 | 73.05 | 73.17 | 73.35 | 73.47 | 73.65 | 73.95         | 74.25 |  |
| Exporters Strategy | Exporters are suggested to maintain stop for any unhedged May receivables 72.75 (SPOT) targetting 73.45 & 73.65 to hedge.                        |       |       |       |       |       |       |       |               |       |  |
| Importers Strategy | Importers are suggested to hedge partially for May at around 73.20 (SPOT) levels and maintain stops at 73.45 for the remaining targetting 73.05. |       |       |       |       |       |       |       |               |       |  |

## Euro Outlook

The main event of the week undoubtedly, is the preliminary PMIs for May in the euro area. Rapid vaccinations have allowed several countries to reopen and the European economy is finally starting to show signs of life again. The upcoming numbers are expected to confirm that.

The services index is forecast to climb to 52.0 from 50.5 in April, while the manufacturing index is expected to tick down but remain at an exceptionally elevated level. That would be great news for the euro, though the question is how much of it is already priced in. The Euro has done exceptionally well in Q2 on the back of an improving outlook.

In a nutshell, it's difficult to get excited about the euro. Even though it may perform decently over the summer as Europe reopens properly and the Fed stays dovish, the longer-term path doesn't seem bright. The economy is improving but at a snail's pace, and government spending ain't impressive. The ECB will lag many months if not years behind the Fed in normalizing policy, and that could ultimately reflect in FX.



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. The Fibonacci price extension drawn for the period End March 2020-March 2021 shows the pair has just breached the 23.6% Fibo major resistance of 1.21 in the upside as it holds itself above the bullish crossover of the 8-13-20 EMAs. The bullish Ichimoku cloud emerging ahead indicates a continuation of upward move in EURUSD for a longer period which might pull the pair further up to 1.2350 the next major Fibo resistance.

The Bollinger-RSI combination however shows the pair to be overbought in the near term and might see small corrections only to gain further upward momentum.

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

| Weekly Bias        | Weekly Trading Strategy (SPOT)   |       |       |       |                                    |       |       |       | Weekly Range                |       |  |
|--------------------|--|-------|-------|-------|------------------------------------|-------|-------|-------|-----------------------------|-------|--|
| Bullish            | Buy 1.2080/60 SL 1.2040 TGT 1.2180-1.2220  |       |       |       | Buy 88.45 SL 88.10 TGT 88.90-89.20 |       |       |       | 1.2080-1.2240   88.40-89.60 |       |  |
| Pivot Levels       |  | S4    | S3    | S2    | S1                                 | Pivot | R1    | R2    | R3                          | R4    |  |
|                    |  | 86.73 | 87.45 | 88.17 | 88.45                              | 88.89 | 89.17 | 89.61 | 90.33                       | 91.05 |  |
| Exporters Strategy | Exporters are suggested to maintain stop for any unhedged May receivables 88.15 (SPOT) targetting 89.15 & 89.50 to hedge.                        |       |       |       |                                    |       |       |       |                             |       |  |
| Importers Strategy | Importers are suggested to hedge partially for May at around 88.60 (SPOT) levels and maintain stops at 88.90 for the remaining targetting 88.45. |       |       |       |                                    |       |       |       |                             |       |  |

## British Pound Outlook

It's a super busy week in the UK too, where the jobs numbers for March will be released on Tuesday, ahead of inflation stats for April on Wednesday. Also to watch is the retail sales data for April and the flash PMIs for May on Friday.

Markets will mostly be tracking the PMIs as investors look for confirmation that the British economy is regaining momentum now that the vaccination program has entered its final phase and much of the hospitality sector is up and running again.

As for the Pound, the overall picture seems bright. The Bank of England has taken the first baby step towards ending its QE program and investors seem to have concluded that the risk of a second Scottish referendum isn't very high after the SNP failed to secure an outright majority in the local elections. With the economy recovering, the pound doesn't need more to rally.



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 just moved northward out of the range sustaining the 8-13-20 EMA bullish crossover only to depict the strength it possesses to further witness a rally.

The Fibonacci price extension drawn for the period Sep 2020-Apr 2021 shows the pair has just breached the 23.6% Fibo major resistance of 1.4040 in the upside. The pair has survived the bearish Ichimoku cloud and confirms the upward continuation at least up to 1.4270 the next major Fibo resistance.

The Bollinger-RSI combination however shows the pair to be overbought in the near term and might see small corrections up to 1.3980 before a sharp rally.

1.3960 shall act as a strong support in longer term and any corrections near 1.40 shall see strong buying.

| Weekly Bias        | Weekly Trading Strategy (SPOT)   |       |        |        |                                     |        |        |        | Weekly Range                  |        |  |
|--------------------|--|-------|--------|--------|-------------------------------------|--------|--------|--------|-------------------------------|--------|--|
| Bullish            | Buy 1.4050/30 SL 1.40 TGT 1.4160   |       |        |        | Buy 102.50 SL 102 TGT 103.30-103.70 |        |        |        | 1.4030-1.4180   102.30-103.80 |        |  |
| Pivot Levels       |  | S4    | S3     | S2     | S1                                  | Pivot  | R1     | R2     | R3                            | R4     |  |
|                    |  | 99.86 | 100.98 | 102.11 | 102.56                              | 103.23 | 103.68 | 104.36 | 105.48                        | 106.61 |  |
| Exporters Strategy | Exporters are suggested to maintain stop for any unhedged May receivables 102.00 (SPOT) targetting 103.80 & 104.30 to hedge. |       |        |        |                                     |        |        |        |                               |        |  |
| Importers Strategy | Importers are suggested to hedge fully for May at around 102.60 (SPOT) levels.   |       |        |        |                                     |        |        |        |                               |        |  |

## Economic Data for the Week

| Date       | Time      | Currency | Data                           | Forecast | Previous |
|------------|-----------|----------|--------------------------------|----------|----------|
| 19.05.2021 | 11:30 PM  | GBP      | CPI y/y                        | 1.4%     | 0.7%     |
|            | Tentative | EUR      | ECB Financial Stability Review |          |          |
|            | 08:00 PM  | USD      | Crude Oil Inventories          |          | -0.4M    |
|            | 11:30 PM  | USD      | FOMC Meeting Minutes           |          |          |
| 20.05.2021 | 05:30 PM  | EUR      | ECB President Lagarde Speaks   |          |          |
|            | 06:00 PM  | USD      | Philly Fed Manufacturing Index | 41.8     | 50.2     |
|            |           | USD      | Unemployment Claims            | 457K     | 473K     |
| 21.05.2021 | 11:30 AM  | GBP      | Retail Sales m/m               | 4.5%     | 5.4%     |
|            | 12:45 PM  | EUR      | French Flash Manufacturing PMI | 58.6     | 58.9     |
|            |           | EUR      | French Flash Services PMI      | 53.0     | 50.3     |
|            | 01:00 PM  | EUR      | German Flash Manufacturing PMI | 66.0     | 66.2     |
|            |           | EUR      | German Flash Services PMI      | 52.0     | 49.9     |
|            | 01:30 PM  | EUR      | Flash Manufacturing PMI        | 62.5     | 62.9     |
|            |           | EUR      | Flash Services PMI             | 52.5     | 50.5     |
|            | 02:00 PM  | GBP      | Flash Manufacturing PMI        | 60.7     | 60.9     |
|            |           | GBP      | Flash Services PMI             | 62.2     | 61.0     |
|            | 04:30 PM  | EUR      | ECB President Lagarde Speaks   |          |          |
|            | 07:15 PM  | USD      | Flash Manufacturing PMI        | 60.4     | 60.5     |
|            |           |          |                                |          |          |
|            |           |          |                                |          |          |

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