

# Currencies Weekly Report

Week of 10.04.2023

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April 10, 2023

## Global Economic Review & Outlook

After the RBI refrained from raising rates, inflation is now expected to fall back into the RBI's target range. The March inflation report is expected to drop from 6.44% to 5.76%, back in the 2-6% RBI target range.

The Fed minutes will be dissected and so will a handful of Fed speakers comments that might contain clues that policymakers are nearing the end of this tightening cycle.

The macro environment for financial markets now is characterized by stubbornly high inflation and an evolving banking crisis.

The ultra-loose monetary conditions of the pandemic era created situations that allowed for a large amount of spare capacity of liquidity which led to building price pressures and excessive availability of capital that enabled risk-taking.

The unfolding banking crisis has created uncertainty around the viability of some institutions. The banks that have failed so far have done so because of the mismanagement of their balance sheets which saw a mismatch in assets and liabilities AND weak balance sheets that are exposed when financial conditions tighten to make capital harder to obtain and more expensive.

With this uncertainty, one can vouch that the trends in FX during the pandemic era are over for now. Elevated volatility from this uncertainty can be seen across several asset classes and is expected to continue.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	12087.96	12221.91	-1.10
DOW JONES	33485.35	33273.10	0.64
NIKKEI	27518.31	28041.48	-1.87
HANGSENG	20331.20	20400.11	-0.34
CAC	7324.75	7322.39	0.03
DAX	15597.89	15628.84	-0.20
FTSE	7741.56	7631.74	1.44
FX	Last Close	Previous Week	% CHANGE
DX	102.09	102.51	-0.41
EURUSD	1.0903	1.0840	0.58
GBPUSD	1.2416	1.2333	0.67
USDJPY	132.14	132.77	-0.48

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.3867	--	82.1892	81.9753	--
EURINR	89.0496	--	90.0109	89.3411	--
GBPINR	101.2412	--	102.6061	102.0806	--
JPYINR	61.62	--	62.49	62.42	--

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.4300	82.7475	83.2400	83.7675	84.2825
Tuesday	--	--	--	--	--
Wednesday	82.0800	82.4075	82.9100	83.4475	83.9900
Thursday	81.9625	82.275	82.765	83.2825	83.8125
Friday	--	--	--	--	--

## Dollar Outlook

The US labor market is softening, but still remains tight and that should keep the door open for policymakers to raise rates again at the May 3rd policy meeting. The focus now shifts to whether disinflation trends can get back on track.

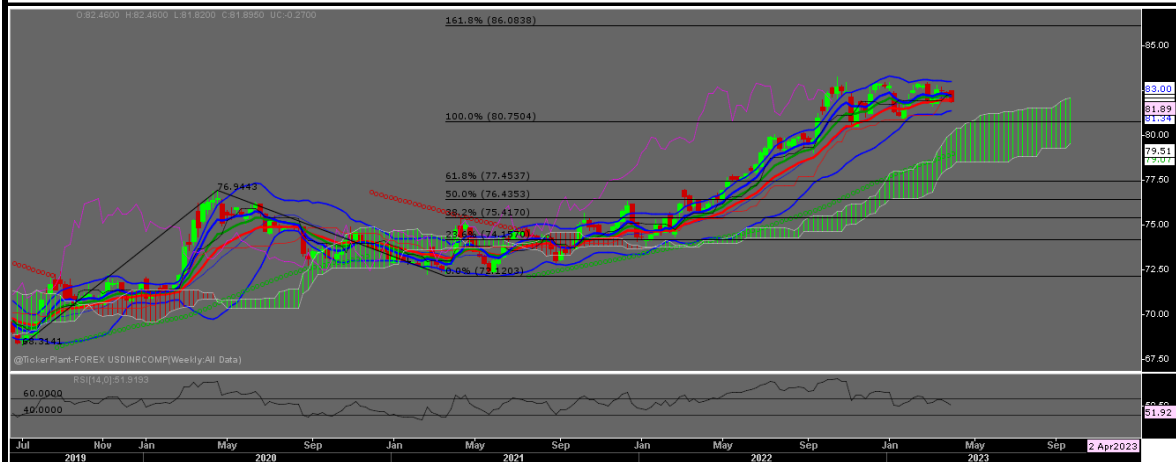
The March inflation report is expected to show a slower monthly pace of 0.3%, down from 0.4%, while headline inflation reading is expected at 5.2% y-o-y, down from February's 6.0%.

The March Retail Sales report is also expected to show another soft month of spending.

Fed's Williams speaks on Monday, Fed's Goolsbee, Harker, and Kashkari talk on Tuesday. Fed's Barkin is scheduled to speak on Wednesday.

Earnings season is here and Wall Street will pay close attention to what the big banks have to say. JPMorgan, Wells Fargo, and Citigroup will not only give their assessment on their own balance sheets and the health of the US consumer, but also whether they saw significant flows stemming from the turmoil triggered by SVB and others.

The FOMC meeting minutes due on Wednesday will be the highlight for this week.



The USDINR Weekly chart indicates the pair found a strong resistance around 82.50 last week and dropped close to 81.80 on Spot.

Last week the pair closed just below the 20-Weekly EMA thus indicating a further correction towards 81.30 near the lower Bollinger band this week.

The RSI moving lower too supports the downward move in USDINR. A further downside till 80.80 could be seen in near future where the major Fibonacci 100% retracement support lies. 80.80 might bring the bulls back in the pair and USDINR might see a sharp bounce back in the next few weeks.

Although, there might be some swings witnessed around 81.30 and a bounce back to 81.80 from 81.30 could be seen.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 82.06 & 82.30 SL 82.70 TGT 81.70-81.50								81.40-82.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.14	80.78	81.42	81.66	82.06	82.30	82.70	83.34	83.98	
Exporters Strategy	Exporters were advised to hedge 50% of their April exposure around 82.30 Spot. Pending to be held open with Stop below 81.50.										
Importers Strategy	Importers were advised to hold their April exposure open/unhedged with Strict Stop above 82.60 Spot. Target rate to start hedging partially is 81.80 on Spot. Target Achieved. Next to be hedged around 81.60 Spot.										

Euro Outlook	
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This week isn't just shortened following the Easter weekend, it's also light on hard-hitting economic data.

The ECB accounts will be watched closely considering recent events and the central bank's decision to hike by 50-bps amid the banking turmoil.

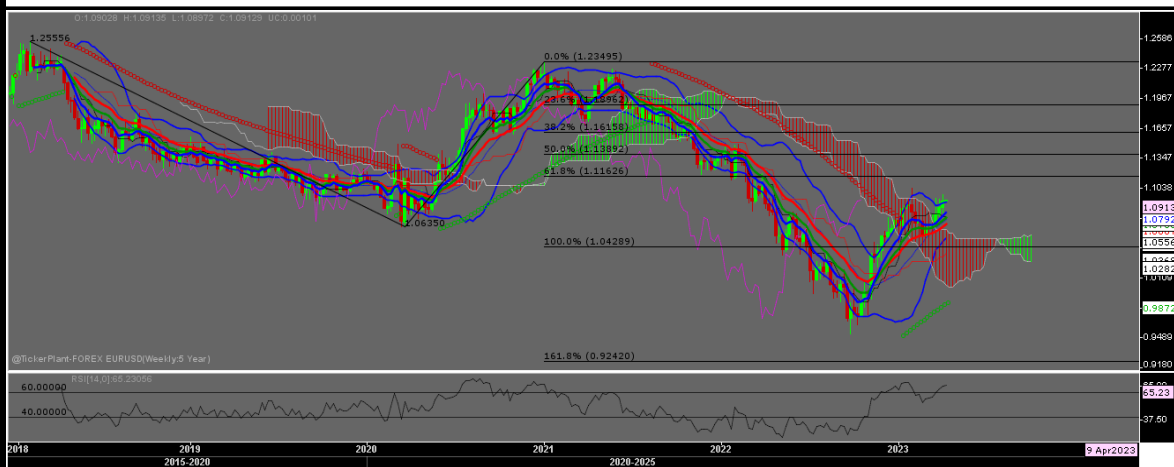
But with information at the time a little light, we may not be able to gauge too much from the minutes over the longer-term. The risk-off mood erupted in global markets in March has pushed Euro lower against the Dollar just not allowing it to move past 1.10

The Euro has been pretty much data dependent recently and moreover relying on the data released in the US. Although, the interest rate moves from the ECB

Also, there is proof the inflation in the Euro area is cooling as headline inflation was reported lower on March 31st.

The PMIs in the Eurozone were mixed, where manufacturing saw a boost but services industry is still lagging. While industrial output increased, trade balance

The EURUSD Weekly chart indicates that the pair closed just above the narrowed Bollinger bands after couple of attempts in the past



The EURUSD Weekly chart indicates that the pair closed just above the narrowed Bollinger bands after couple of attempts in the past weeks to move higher above the Upper Bollinger band. Although the pair closed positively last week and is comfortably trading above the 8-13-20 Weekly EMAs, the pair seems to be overbought as indicated by the Bollinger-RSI combination and does not seem to have enough strength and momentum to move higher strongly to test the next Fibonacci resistance at 1.1160. However, last week high around 1.0970 could act as an interim resistance in the pair which could lead to a drop down to 1.0750. 1.0750 is protected by the 8-13-20 Weekly EMAs while major support in EURUSD lies at 1.06. EURUSD being overbought one can go short this week.

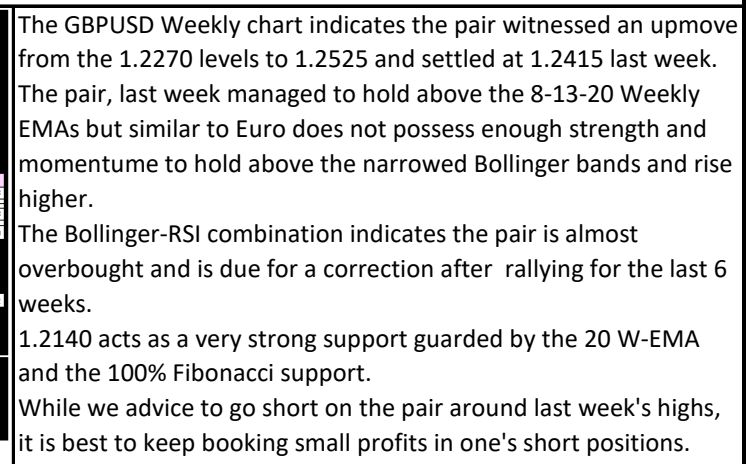
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 1.0980 SL 1.1080 TGT 1.08-1.0750				Sell 89.90 SL 90.60 TGT 88.80				1.0750-1.0980   88.80-90.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		85.86	87.05	88.23	88.76	89.42	89.95	90.60	91.79	92.97	
Exporters Strategy	Exporters were advised to hedge 50% of their April exposure around 90.00 Spot. Target Achieved. Pending to be held open with strict Stop below 88.00 Spot.										
Importers Strategy	Importers were advised to hedge 50% of their April payables around 88.80 on Spot. Target Achieved. Pending to be held open/unhedged with Strict Stop above 90.50 Spot.										

## British Pound Outlook

Interest rates have followed their expected path higher – currently at 4.25%, the highest level since 2008 – while PM Sunak and Chancellor Hunt continue to steer a steady course and have so far avoided the pitfalls of the previous regime.

Inflation in the UK however remains in double-digits – currently 10.4% - a level that in normal circumstances would continue to require ongoing tightening of monetary policy by the central bank. However, according to the latest BoE Monetary Policy Report, inflation ‘is expected to fall significantly in Q2 2023’ due to the extension of the Energy Price Guarantee announced in the recent budget and the fall in wholesale energy prices.

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Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.2530 SL 1.2630 TGT 1.2300				Sell 102.60-102.80 SL 103.70 TGT 101.20				1.2300-1.2550   101.20-102.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.11	98.73	100.36	101.21	101.98	102.83	103.61	105.23	106.86	
Exporters Strategy	Exporters were advised to hedge their April exposure (50%) between around 102 Spot. Target Achieved. Pending exposure to be held open with Stop below 100.80 Spot.										
Importers Strategy	Importers are advised to hold their April exposure open targetting around 101 on Spot. Target Achieved. Pending exposure to be held open with Stop above 102.80 Spot.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
11.04.2023	09:30 PM	USD	EIA Short-Term Energy Outlook		
12.04.2023	06:00 PM	USD	Core CPI (MoM) (Mar)	0.4%	0.5%
		USD	CPI (YoY) (Mar)	5.2%	6.0%
		USD	CPI (MoM) (Mar)	0.3%	0.4%
	06:30 PM	GBP	BoE Gov Bailey Speaks		
	08:00 PM	USD	Crude Oil Inventories	-2.329M	-3.739M
	11:30 PM	USD	FOMC Meeting Minutes		
13.04.2023	12:45 AM	GBP	BoE Gov Bailey Speaks		
	11:30 AM	GBP	GDP (MoM) (Feb)	0.2%	0.3%
		GBP	Manufacturing Production (MoM) (Feb)	0.3%	-0.4%
		GBP	Monthly GDP 3M/3M Change (Feb)		0.0%
		EUR	German CPI (MoM) (Mar)	0.8%	0.8%
	06:00 PM	USD	Initial Jobless Claims	205K	228K
		USD	PPI (MoM) (Mar)	0.1%	-0.1%
14.04.2023	06:00 PM	USD	Core Retail Sales (MoM) (Mar)	-0.3%	-0.1%
		USD	Retail Sales (MoM) (Mar)	-0.4%	-0.4%

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