

Currencies Weekly Report

Week of 07.03.2022



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Global Economic Review & Outlook

Rising commodity prices due to Putin's war in Ukraine will lead to higher price pressure. The Fed will hike in March while the ECB has difficult decisions to make this week.

To keep its options open, the ECB will likely decide in favour of a faster taper of its net asset purchases. The wish to normalize policy is strong within the Governing Council.

As the war in Ukraine rages on into the second week, people around the world and financial markets alike are adjusting to the disturbing reality and a more uncertain future.

The economic repercussions of this war are being and will continue to be felt worldwide. Oil prices have risen to record highs. Western energy companies are less willing to trade in Russian oil as a result of the war in Ukraine and the western sanctions on Russia.

The repercussions for energy prices are most severe in Europe due to its energy dependency on imports. The US is in comparison energy self-reliant and a net petroleum exporter.

Fed chair Powell reiterated last week that the Fed still intends to raise the Fed funds rate in March (by 25bp). The reduction of the Fed's balance sheet is still most likely to start by June.

This week features two major events. A red hot inflation print in the U.S. and in the euro area we have an ECB rate meeting.

| INDICES | Last Close | Previous Week | % CHANGE |
|-----------|------------|---------------|----------|
| NASDAQ | 13313.44 | 13694.62 | -2.78 |
| DOW JONES | 33614.67 | 34058.55 | -1.30 |
| NIKKEI | 25985.47 | 26476.50 | -1.85 |
| HANGSENG | 21905.29 | 22767.18 | -3.79 |
| CAC | 6061.66 | 6752.43 | -10.23 |
| DAX | 13094.54 | 14567.23 | -10.11 |
| FTSE | 6987.14 | 7489.46 | -6.71 |
| FX | Last Close | Previous Week | % CHANGE |
| DX | 98.65 | 96.61 | 2.11 |
| EURUSD | 1.0930 | 1.1272 | -3.03 |
| GBPUSD | 1.3232 | 1.3411 | -1.33 |
| USDJPY | 114.81 | 115.52 | -0.61 |

| | RBI Reference Rate | | | | |
|--------|--------------------|---------|-----------|----------|----------|
| | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY |
| USDINR | 75.4882 | -- | 75.7200 | 75.7111 | 76.1246 |
| EURINR | 84.2614 | -- | 84.1007 | 84.0348 | 83.9538 |
| GBPINR | 100.9207 | -- | 100.6899 | 101.4948 | 101.5741 |
| JPYINR | 65.34 | -- | 65.76 | 65.45 | 65.91 |

| | USDINR Forward Rates (Month End) | | | | |
|-----------|----------------------------------|---------|---------|---------|----------|
| | 1 Month | 3 Month | 6 Month | 9 Month | 12 Month |
| Monday | 75.5400 | 76.1300 | 76.8800 | 77.6600 | 78.4000 |
| Tuesday | -- | -- | -- | -- | -- |
| Wednesday | 75.8900 | 76.4775 | 77.2300 | 78.0150 | 78.7600 |
| Thursday | 76.0750 | 76.6600 | 77.4100 | 78.1600 | 78.9350 |
| Friday | 76.3250 | 76.9350 | 77.6800 | 78.4500 | 79.1900 |

Dollar Outlook

The Dollar rocketed upward last week, hitting the highest levels since May 2020, as the situation in Ukraine deteriorated. This firmed the chances the West will lobby additional sanctions on Russia, increasing the already severe supply shock. A bleeding Euro provided an outsized advantage for DXY.

A surge in commodity prices has been one of the most prominent spillover effects of Western sanctions. That has bolstered already lofty inflation expectations across major economies. Germany's 2-year breakeven rate – the gap between the 2Y Bund yield and its inflation-indexed bond – rose to a record high of 4.24% on Friday. European gas prices extended higher into record territory.

Elsewhere, a strong US jobs report failed to reignite bets for a 50 bps hike at the March FOMC meeting. Powell said, "I'm inclined to propose and support a 25 bps hike." He reiterated the Fed's view that inflation would begin to drop after peaking soon but also acknowledged the current upside risks.

The US bond market doesn't appear that optimistic. Breakevens rose rapidly, with short term rates well above the Fed's target. The Feb. CPI is expected to hit 7.9% y/y, up from 7.5% in Jan. Meanwhile, the 2-10-year yield spread has accelerated toward inversion, a closely-watched recession indicator.



The USDINR Weekly chart indicates the pair last week moved past 76 approaching the recent highs of 76.31 made in Dec. 21.

The pair also move past the 38.2% Fibo resistance at 75.60 and now faces the 50% Fibo resistance at 76.60 before it tests the lifetime high of 76.90 made in April 20.

Although the prices have been able to manage trading above the 8-13-20 EMAs which also have given a bullish crossover, there is no clarity on further move in the pair as the Dollar faces Geopolitical risks and Rupee faces State election results.

The Bollinger-RSI combination along with the budding bullish Ichimoku cloud formation indicate further upward move to some extent.

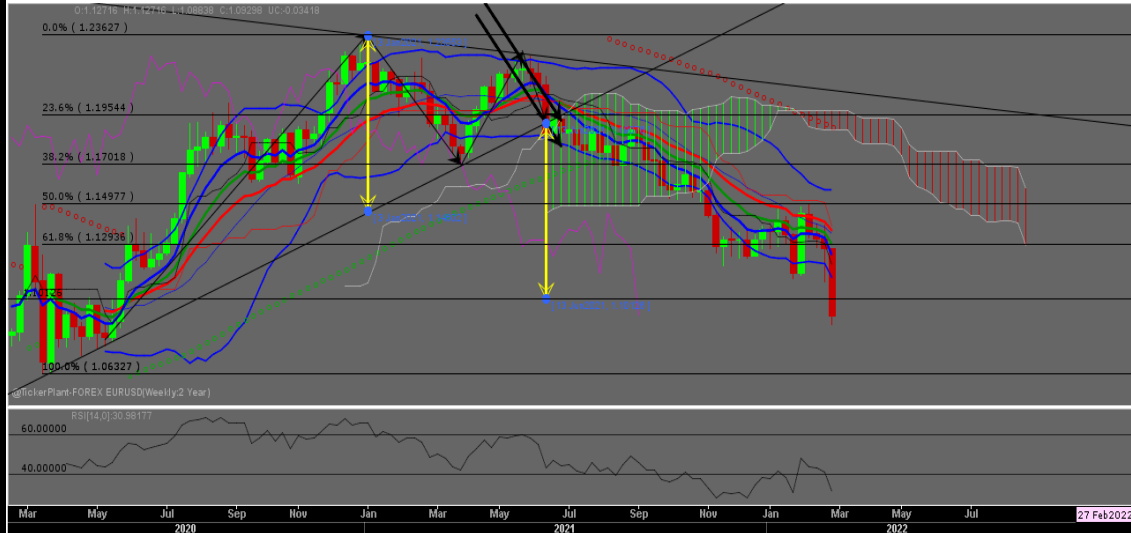
For the week ahead we suggest going short on the pair around 76.50 with Strict Stops above 76.90 for targets of 75.80 & 75.50, while keeping the positions light.

| Weekly Bias | Weekly Trading Strategy (SPOT) | | | | | | | | Weekly Range | | |
|--------------------|--|-------|-------|-------|-------|-------|-------|-------|--------------|-------|--|
| Sideways | Sell 76.50 SL 76.90 TGT 75.80-50 | | | | | | | | 75.50-76.50 | | |
| Pivot Levels | | S4 | S3 | S2 | S1 | Pivot | R1 | R2 | R3 | R4 | |
| | | 73.10 | 74.03 | 74.96 | 75.56 | 75.89 | 76.49 | 76.82 | 77.75 | 78.68 | |
| Exporters Strategy | Exporters were suggested to hedge their March exposure partially (50%) around 75.60 Spot. Pending to be held open with Stop below 74.50. | | | | | | | | | | |
| Importers Strategy | Importers were suggested to hedge March payables (50%) around 74.60. Pending to be held open with a strict Stop above 75.80 Spot, which has been triggered. | | | | | | | | | | |

Euro Outlook

The reverberation of the Russian invasion of Ukraine back to the Euro has taken two forms. First, market expectations for a more hawkish ECB have evaporated over the past week. Second, liquidity conditions have deteriorated underscoring the greatest demand for USD by financial institutions since the early days of COVID-19.

The EURUSD Weekly chart indicates the pair losing 1.13 levels last week and dropped sharply even to breach 1.10 which



The EURUSD Weekly chart indicates the pair losing 1.13 levels last week and dropped sharply even to breach 1.10 which happened to be a target for the Triangle breakdown.

The pair has taken a strong resistance from the bearish Ichimoku cloud formation and has even breached the Lower Bollinger supports to drop deep into fresh bearish mode.

The Bollinger-RSI combination shows the pair is extremely oversold supported by the continued bearish 8-13-20 EMAs, however, to initiate fresh short positions in the pair, one should await a pullback in the prices atleast upto 1.1150.

For the next week, we suggest going short on the pair around 1.1030, but recommend light trades at the mentioned levels.

1.15 now happens to be a deciding level for EURUSD to reverse its bearish trend in near medium term.

| Weekly Bias | Weekly Trading Strategy (SPOT) | | | | | | | | Weekly Range | | |
|--------------------|---|-------|-------|-------|---------------------------------------|-------|-------|-------|-----------------------------|-------|--|
| Sideways-Bearish | Sell 1.1030/50 SL 1.1120 TGT 1.0830 | | | | Buy 83.60/50 SL 83.20 TGT 84.30-84.60 | | | | 1.0800-1.1050 83.50-84.80 | | |
| Pivot Levels | | S4 | S3 | S2 | S1 | Pivot | R1 | R2 | R3 | R4 | |
| | | 82.05 | 82.71 | 83.36 | 83.58 | 84.02 | 84.24 | 84.67 | 85.33 | 85.98 | |
| Exporters Strategy | Exporters are advised to hedge 50% of the March exposure around 85 Spot. Further pending exposure to be held open with Stop below 82.80. | | | | | | | | | | |
| Importers Strategy | Importers are advised to hedge 50% of March payables around 83.50 on Spot. Pending to be held open with Stop above 85.50. | | | | | | | | | | |

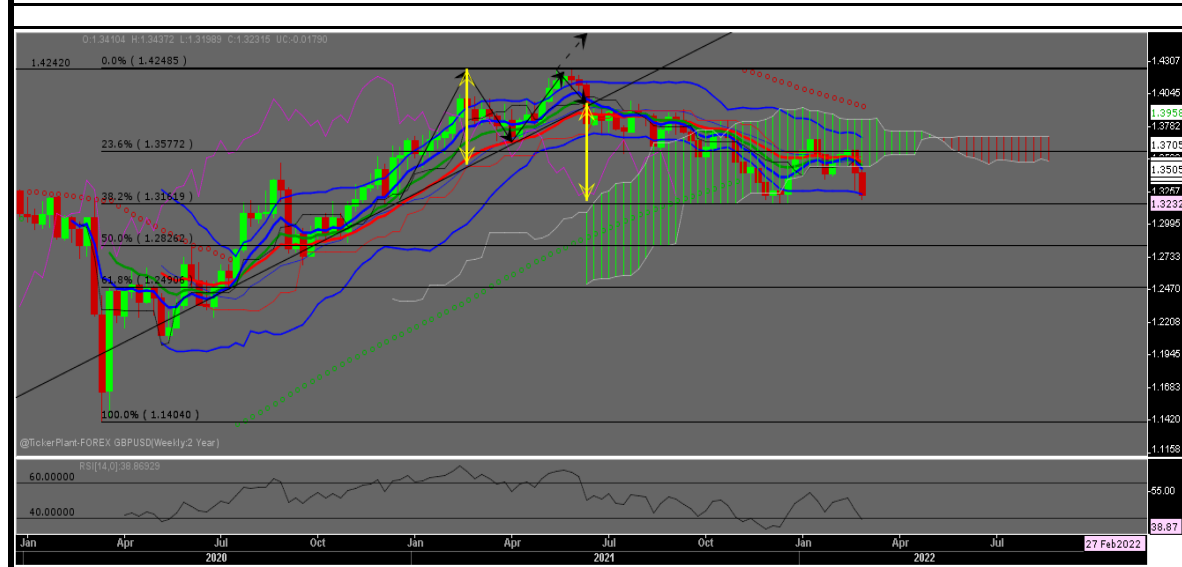
British Pound Outlook

Sterling is outperforming an even weaker Euro, continuing a longer-term trend to the downside. An unbroken series of lower highs and lower lows remain steadfastly in place.

The BoE which has already started raising interest rates is due for next policy meeting in Mid-March.

However, GBP against the Euro & the Dollar is more dependent on the ongoing Euro crisis and further steps to be taken by the U.S. on the Russia-Ukraine war.

The economic calendar is relatively clear of UK news the week ahead with the only release of interest next Friday being the monthly GDP figures.



The GBPUSD Weekly chart indicates, Pound has seen a strong resistance recently, after it tested 23.6% Fibo levels at 1.3575. GBPUSD has also achieved the Long-term short target of around 1.32 as indicated by the breach of a Triangle pattern. GBPUSD has closed near these levels yet again and 1.3170 happens to be a major support in the pair at the 38.2% Fibo level which if breached in the downside will bring in renewed bearish interest in the currency.

1.3575 has been a very strong resistance in the pair and even if the Bollinger-RSI combination indicates that the pair is currently oversold, we would want to wait and watch for a strong upward reversal to confirm end of bearish trend in the pair.

For the week ahead we suggest going long in the pair with Strict Stops below 1.3140.

| Weekly Bias | Weekly Trading Strategy (SPOT) | | | | | | | | Weekly Range | | |
|--------------------|--|-------|-------|-------|--|--------|--------|--------|-------------------------------|--------|--|
| Sideways | Buy 1.3230/3200 SL 1.3140 TGT 1.3300-50 | | | | Buy 100.80/60 SL 100 TGT 101.50-102.20 | | | | 1.3200-1.3380 100.50-102.50 | | |
| Pivot Levels | | S4 | S3 | S2 | S1 | Pivot | R1 | R2 | R3 | R4 | |
| | | 97.68 | 98.83 | 99.99 | 100.62 | 101.15 | 101.78 | 102.31 | 103.46 | 104.62 | |
| Exporters Strategy | Exporters are advised to hedge their March exposure partially (50%) around 102.20. Pending to held open with Stop below 100 Spot. | | | | | | | | | | |
| Importers Strategy | Importers are advised to hedge partially (50%) near 100.80 for March exposure. Pending to held open with Stop above 102.30 Spot. | | | | | | | | | | |

Economic Data for the Week

| Date | Time | Currency | Data | Forecast | Previous |
|------------|----------|----------|-------------------------------|----------|----------|
| 09.03.2022 | 08:30 PM | USD | JOLTS Job Openings | 10.91M | 10.93M |
| | 09:00 PM | USD | Crude Oil Inventories | | -2.6M |
| | 11:31 PM | USD | 10-y Bond Auction | | 1.90 2.7 |
| 10.03.2022 | 06:15 PM | EUR | Main Refinancing Rate | 0.00% | 0.00% |
| | | EUR | Monetary Policy Statement | | |
| | 07:00 PM | EUR | ECB Press Conference | | |
| | | USD | CPI m/m | 0.8% | 0.6% |
| | | USD | Core CPI m/m | 0.5% | 0.6% |
| | | USD | Unemployment Claims | 220K | 215K |
| | 11:31 PM | USD | 30-y Bond Auction | | 2.34 2.3 |
| 11.03.2022 | 08:30 PM | USD | Prelim UoM Consumer Sentiment | 61.3 | 62.8 |

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