

Currencies Weekly Report

Week of 09.01.2023

www.phillipforex.in

January 9, 2023

Global Economic Review & Outlook

As we start the new year, the market is focusing on corporate earnings and inflation as critical drivers for the market. The US CPI report for December which is this week's main event is expected to show disinflation trends remain firmly in place. The disappointing average hourly earnings from NFPs have traders likely anticipating a similarly soft outcome in inflation. The British government will announce to parliament next week how it plans to cut unaffordable energy support for businesses by around 85% in the next financial year.

China has resumed its international contact with countries around the world. The centralized quarantine system has also been lifted in China, and the movement of people within the country is about to return to pre-pandemic conditions.

A number of countries have now introduced certain restrictions on the entry of Chinese tourists in terms of testing and quarantine measures. The Chinese government's subsequent response to a large number of confirmed new cases will be one of the risk events that the market will be watching.

US politics will dominate headlines as Republicans try to elect a speaker. The House can't function without a speaker and this impasse has implications for national security-related briefings and oversight.

A few releases of note are due for release in India this week including inflation and industrial output on Thursday.

Focus also remains on the war in Ukraine.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	10569.29	10466.48	0.98
DOW JONES	33629.79	33147.28	1.46
NIKKEI	25973.85	26094.50	-0.46
HANGSENG	20991.64	19781.41	6.12
CAC	6860.95	6473.76	5.98
DAX	14610.02	13923.59	4.93
FTSE	7699.49	7451.74	3.32
FX	Last Close	Previous Week	% CHANGE
DX	103.88	103.52	0.35
EURUSD	1.0645	1.0702	-0.53
GBPUSD	1.2093	1.2095	-0.01
USDJPY	132.10	131.10	0.76

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.6287	82.7817	82.9052	82.6973	82.6348
EURINR	88.3753	88.2508	87.6546	87.7992	86.9235
GBPINR	99.7576	99.9131	99.3829	99.6238	98.4731
JPYINR	63.11	63.78	63.41	62.49	61.63

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.8525	83.1375	83.6025	83.9800	84.3550
Tuesday	82.9800	83.2600	83.7300	84.1225	84.5100
Wednesday	82.8925	83.1700	83.6475	84.0400	84.4250
Thursday	82.6375	82.9175	83.3950	83.7950	84.1950
Friday	82.8000	83.0850	83.5600	83.9800	84.3600

Dollar Outlook

The Dollar Index ended the last week on backfoot after some key U.S. economic data including Non-Farm Payrolls and ISM services, as well as higher than expected core inflation for the eurozone despite falling energy prices.

The NFP also showed that wage pressures are easing which have been a concern in the U.S. services sector giving support to high inflation. It will be interesting to see whether or not softening average hourly earnings for December translate through to the U.S. CPI release.

The Y-o-Y CPI reading is expected to cool from 7.1% to 6.6%, while the monthly reading is expected to remain flat. Considering both core and headline inflation figures have been on the decline since late to mid-2022 respectively, another softer figure could dampen bullish support to Dollar.

Earnings season begins on Friday, and everyone will pay close attention to what the banks say about the economy. Recession calls could get a major boost if JPMorgan, Citigroup, and Wells Fargo turn pessimistic about the consumer, thus leading to a stronger Dollar.

At the end of the week, the University of Michigan sentiment report is expected to show a modest improvement and could show inflation expectations continue to come down.



The USDINR Weekly chart indicates the pair has been trending up since last 2 weeks after it found strong support near 20-EMA. USDINR closed at 82.72, well above the 20- Weekly EMA and is hovering near the Upper Bollinger Band and around the 83 handle which has acted as a strong resistance earlier. Also, The RSI has dropped down from 80 odd levels throughout last month and is expected to soon drop below 60, thus confirming a downtrend in the Dollar. Technically, 82.80-83.30 is a resistance zone where the pair is expected to halt and show some correction back to 81.80-81.50. However, this week, we would suggest to wait for the pair to drop below 82.50, after which one can go short on the pair for targets of 81.50 with a strict Stop above 83.30.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 82.70-82.95 & Below 82.50 SL 83.30 TGT 82.25-81.75-81.30								81.75-83.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		81.27	81.75	82.23	82.47	82.71	82.95	83.18	83.66	84.14	
Exporters Strategy	Exporters wre advised to hedge 50% of their January exposure between 82.50-82.80 Spot. Pending to be held open with Stop below 82.00.										
Importers Strategy	Importers are advised to hedge 50% of their January exposure around 82.00 Spot. Pending to be held open with Stop above 83.30.										

Euro Outlook

Last week the Euro witnessed enough volatility. At one point, EURUSD was down as much as 2 percent but made a comeback on Friday reducing losses to just about 0.5 percent.

Euro-area flash December inflation dropped to 9.2% y/y from 10.1% y/y in November. Expectations have been lowered through the week after the releases from the largest euro-area economies, but it is clearly lower than expected a few weeks ago.

ECB President Lagarde has warned about delayed pass-through of gas and electricity price increases in the January inflation print, but barring new energy price spikes, momentum has probably turned and inflation will come down gradually during 2023.

Focus is now likely to shift from the level and timing of the inflation peak to the pace of the inflation drop in the first half of the year and the underlying persistence in core inflation.

A quiet week in store with only a few relatively small data points due, the most notable of which being the unemployment report for the eurozone. All eyes now on the ECB meeting early next month after the December inflation data showed price growth slowing considerably but underlying core prices rising.



The EURUSD Weekly chart indicates the pair held on to its momentum and recovered from the dip sharply, where it held itself near the Upper Bollinger band to close the week penetrating into the bearish Ichimoku Cloud, just close to the bearish Parabolic SAR.

This confirms a reversal and continuation of the Upward trend in the pair for targets as high as 1.09 in the near term.

The 8-13-20 Weekly EMAs too have given a bullish crossover. The RSI too has moved up just above 60.

Technically, EURUSD seems to have gained an upward momentum and is heading further North.

Traders are advised to go long on the pair on dips close to 1.0600 for targets as high as 1.09 this month.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 1.0610 SL 1.0510 TGT 1.0740				Buy above 87.40 SL 86.40 TGT 89.00				1.0600-1.0750 87.40-89.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		82.37	84.05	85.73	86.34	87.41	88.02	89.09	90.77	92.45	
Exporters Strategy	Exporters were advised to hedge 30% of their January exposure around 89.00 Spot. Pending to be held open with Stop below 87.										
Importers Strategy	Importers are advised to hedge 50% of their January payables around 88.00. Pending to be held open with Stop above 89.50 on Spot.										

British Pound Outlook

With this being the first Christmas free from Covid restrictions, food and clothing retailers have performed well considering the cost-of-living squeeze and inflation well into double digits.

UK specific events are rather light but we will get insight into the state of the UK economy with November GDP data.

The GBPUSD Weekly chart (top) shows price movement from 2019 to 2023. Key price levels are marked: 1.35149, 1.24078, 1.242510 (0.0%), 1.23051 (2.2%), 1.24441 (35.2%), 1.21974 (50.0%), 1.2448 (61.8%), 1.21439 (100.0%), and 1.08417 (163.8%). The chart includes a green shaded area representing the 8-13-20 Weekly EMAs and a red shaded area representing the bearish Parabolic SAR and Ichimoku cloud. The RSI indicator (bottom) shows values ranging from 40.00000 to 60.00000, with a current value of 53.97. The x-axis is labeled with years 2019, 2020, 2021, 2022, and 2023, with specific months (Jan, May, Sep) indicated. The y-axis for the price chart ranges from 1.0000 to 1.4001.

The GBPUSD Weekly chart indicates the pair had halted its upward move in the past few weeks, dropping down from levels close to 1.2450 to even below 1.20. Last week, GBPUSD witnessed a sharp dip and an equally sharp recovery back to 1.21 but failed to move above the 100% Fibo retracement of 1.2144. This resistance could be taken out this week, thus confirming a continued upward move in the pair. GBPUSD has been able to hold above the 8-13-20 Weekly EMAs and with the RSI again heading towards 60, we can expect the pair to rise further, this week, to 1.2180. The bearish Parabolic SAR below the bearish Ichimoku cloud also indicates the pair can gain upward momentum and rise sharply.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.2050-1.2000 SL 1.1900 TGT 1.2180				Buy 98.00-97.90 SL 96.80 TGT 99.00-100.00				1.2000-1.2180 97.90-100.15		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		95.68	96.80	97.91	98.02	99.03	99.13	100.15	101.27	102.38	
Exporters Strategy	Exporters are advised to hedge their January exposure partially (30%) around 100.50 Spot.										
Importers Strategy	Importers are advised to hedge partially (50%) near 99.70 Spot for January.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
10.01.2023	07:30 PM	USD	Fed Chair Powell Speaks		
	10:30 PM	USD	EIA Short-Term Energy Outlook		
11.01.2023	09:00 PM	USD	Crude Oil Inventories		1.694M
12.01.2023	07:00 PM	USD	Core CPI (MoM) (Dec)	0.3%	0.2%
		USD	CPI (MoM) (Dec)	0.1%	0.1%
		USD	CPI (YoY) (Dec)	6.5%	7.1%
		USD	Initial Jobless Claims	220K	204K
13.01.2023	12:30 PM	GBP	GDP (YoY)		1.9%
		GBP	GDP (QoQ)		-0.3%
		GBP	GDP (MoM)	-0.3%	0.5%
		GBP	Manufacturing Production (MoM) (Nov)	-0.2%	0.7%

Report prepared by:

Siddhesh Ghare

Head- FX Risk Business

PhillipCapital (India) Pvt. Ltd.

sghare@phillipcapital.in

+91 99634 87722

Disclaimer:

The information and views presented in this report are prepared by Phillip Services India Pvt. Ltd. The information contained herein is based on our analysis and up on sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither Phillip Services India Pvt. Ltd. nor any person connected with any associated companies of Phillip Group accepts any liability arising from the use of this information and views mentioned in this document.