

Currencies Weekly Report

Week of 29.11.2021

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November 29, 2021

Global Economic Review & Outlook

The discussion of upside risks is increasing within the ECB, but their baseline sticks to transient inflation. Recent speeches show at least some Governing Council members have become more worried.

There has been a slight hawkish shift from the Fed recently. Market effects have been small so far, but chances of a stronger USD, higher real rates and more volatility in risky assets persist.

When U.S. politicians suddenly changed tone about inflation and started to describe it as an unfair tax on the hard working American people, suddenly Fed governors changed tone as well.

The new, and a very rate-dovish, vice chair Lael Brainard out of the blue stated that inflation fighting from now on is the number one priority, directly after being nominated by U.S. President Biden.

The most important development for now is the evolution of the new B.1.1.529 variant of Covid-19 identified in South Africa. Markets went full flight-to-safety on Friday when news surfaced this variant carried high number of mutations in its spike protein, which is targeted by vaccines. The UK has already banned flights from a number of African countries and with lockdown risks already having increased in Europe before this news, markets are naturally speculating that lockdowns will become a fact. There is currently no information on how contagious or lethal B.1.1.529 is, so there is great uncertainty at this point.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	15491.70	16057.40	-3.52
DOW JONES	34908.10	35602.18	-1.95
NIKKEI	28751.62	29745.87	-3.34
HANGSENG	24080.52	25049.97	-3.87
CAC	6739.73	7112.29	-5.24
DAX	15257.04	16159.97	-5.59
FTSE	7044.03	7223.57	-2.49
FX	Last Close	Previous Week	% CHANGE
DX	96.07	96.08	-0.01
EURUSD	1.1317	1.1280	0.33
GBPUSD	1.3335	1.3453	-0.88
USDJPY	113.36	114.00	-0.56

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.3836	74.5042	74.4063	74.5068	74.7148
EURINR	83.8645	83.7104	83.6486	83.5619	83.8504
GBPINR	99.9820	99.7283	99.5502	99.4646	99.3607
JPYINR	65.16	64.73	64.71	64.57	65.20

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.4350	74.9450	75.9350	76.8300	77.7400
Tuesday	74.4400	74.9575	75.9525	76.8525	77.7625
Wednesday	74.4050	74.9175	75.9100	76.8150	77.7250
Thursday	--	--	--	--	--
Friday	75.0900	75.5675	76.6175	77.5175	78.3975

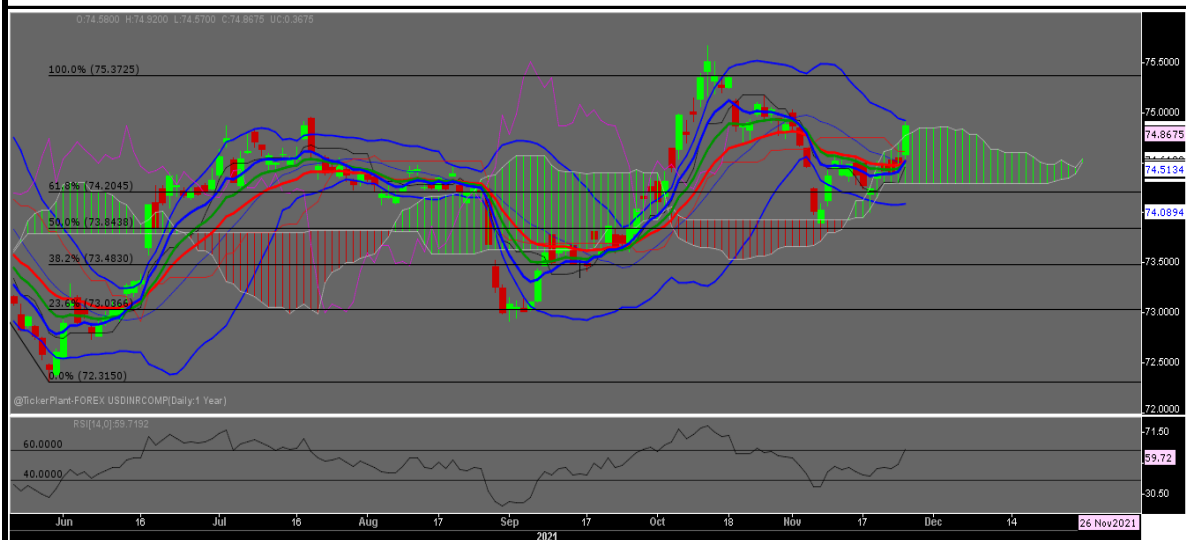
Dollar Outlook

It will be hard for the US dollar to escape the spotlight in the coming week as the November jobs report will likely further fuel expectations of faster Fed tapering, extending the rally. The last month of the year is expected to get off to a busy start with a slew of data on the way.

If Friday's jobs figures are in line or better than the projections, it would strengthen expectations that the Fed will speed up tapering, perhaps as early as the December meeting. Also important will be the ISM PMI reports. The manufacturing PMI is out on Wednesday, to be followed by the non-manufacturing composite on Friday.

The main risk for the Dollar over the next few days is if Powell talks down speculation of a quicker exit from QE when he testifies before the Senate Banking Committee on Tuesday. The Fed chief will be answering questions from lawmakers alongside Treasury Secy Yellen and may hint as to whether he is leaning towards such a policy shift like many of his colleagues are.

The discovery of the new Covid mutation could prompt Powell to move on the side of caution.



The USDINR Daily chart indicates the Dollar after printing a high of 75.65 in October, slipped to test 73.84 in 2nd week November. A correction of almost Rs. 2 in less than a month brings in heavy buying which could support the pair and take it up again atleast by a rupee (50% recovery).

74.80/85 levels were eyed last week which were comfortably achieved.

73.85 is a strong support, which the pair has tested and moved north where 75 is the psychological resistance. The Bollinger-RSI combination supports a further upmove in the pair to 75.30. USDINR this week if manages to hold 74.50, a bullish crossover of 8-13-20 DEMAs could happen leading to further upward move in USDINR till 75.30.

Although, sudden spikes lead to corrections but the current flight to safety can keep Dollar higher.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 74.70-74.50 SL 74.20 TGT 75.30								74.50-75.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.87	73.48	74.09	74.48	74.70	75.09	75.31	75.92	76.53	
Exporters Strategy	Exporters are suggested to hedge their December exposure partially (30%) around 75 Spot.										
Importers Strategy	Importers are suggested to hold December payables open with a strict Stop above 75.50 Spot & target 74.50 Spot to book 50% of the total exposure.										

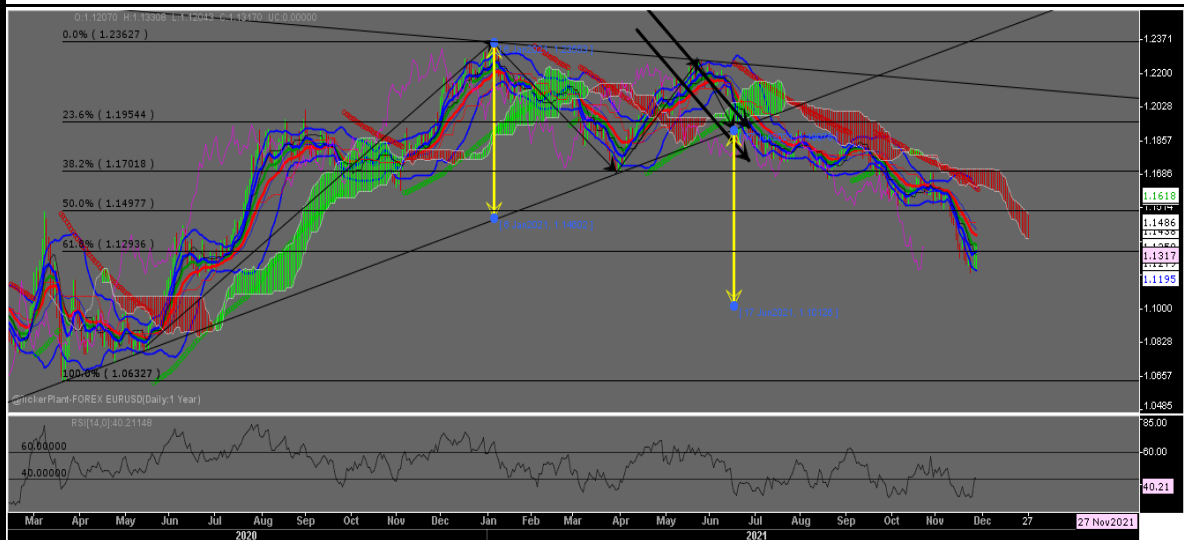
Euro Outlook

The euro has reversed directions on Friday and has posted considerable gains.

Things were looking rosy until now, with the EU forecasting a strong 5% growth rate for 2021, but that projection is in jeopardy as lockdowns are looking more likely around the Christmas shopping season.

Inflation in the Eurozone could rise to the highest since 1991 in November. The flash estimates are out on Tuesday and are forecast to show the headline number picking up to 4.4% Y-O-Y.

Before the recent worsening of the virus picture across the EU, such an increase would have bolstered the case for a rate hike. However, with Germany possibly joining Austria soon in going into a nationwide lockdown, the ECB will likely wait and see whether the transitory effects on inflation will fade on their own accord.



The EURUSD Daily chart indicates, after the Euro has slipped below the 50% MAJOR Fibo supports of 1.15.

The pair faced further selloff as supported by a dense bearish Ichimoku cloud ahead to end the year.

A continued bearish crossover of 8-13-20 DEMAs indicates a continued selling pressure in EURUSD.

However, the Bollinger-RSI combination indicates the pair is highly oversold and a sudden bounce cannot be ruled out.

In the week ahead, though the pair is still in a major downtrend it might see some recovery from the current lower levels and rise up close to 1.14.

This rise could also lead to a bullish crossover of 8-13-20 DEMAs. Hence, for the upcoming week we suggest going long expecting a bounce in the pair with strict stops below 1.1230.

1.17 will act as a very strong resistance in longer term.

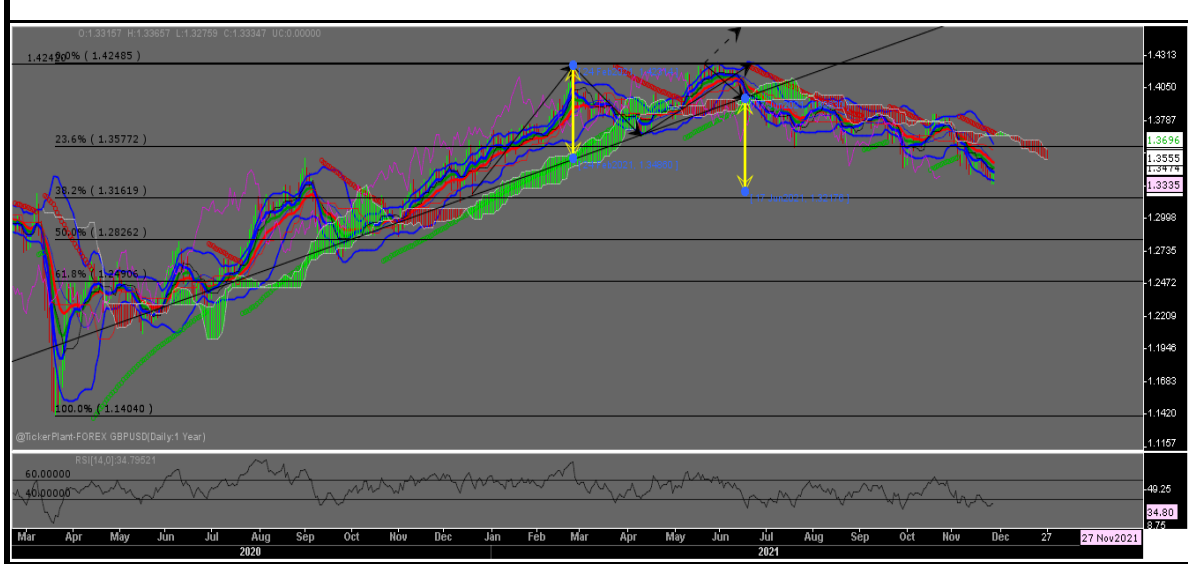
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.1280 SL 1.1230 TGT 1.1370-1.1420				Buy 83.80/83.60 SL 83.30 TGT 84.70-85.10				1.1260-1.1420 83.60-85.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.70	81.81	82.93	83.63	84.04	84.74	85.15	86.26	87.38	
Exporters Strategy	Exporters are advised to hedge 50% around 85 & maintain strict stops at 83 on Spot for the remaining 50% of the December exposure.										
Importers Strategy	Importers are suggested to hedge 50% of December payables around 83.70 on Spot. Pending to be held open with Stop above 85.20.										

British Pound Outlook

Pound suffered heavy losses against low-yielding funding currencies and perceived safe-havens ahead of the weekend after a new strain of the coronavirus prompted a global market panic, which could have differing implications for GBP/EUR and GBP/USD going forward. Sterling was deep in the red against the Japanese Yen and Euro while seeing more modest declines against the U.S. Dollar as investors responded to the discovery of a new coronavirus strain in Africa. The calendar is light this week in the UK and the Pound will be very largely dependent on the new virus news even if the vaccination rate in the UK is very high and there are almost no restrictions related to Covid in the country.

Last Thursday, Governor Bailey claimed that rate guidance was “hazardous” for central banks, and it seemed likely that the BoE was trying to steer away from the kind of misleading communication we saw in the run-up to the November meeting.

We see a BoE hike on 16 December, which should put a floor under GBP if there is no material deterioration of the COVID situation in the UK.



The GBPUSD Daily chart indicates, Pound halted the short term reversal and continued to move lower after it found a strong resistance at the 23.6% Fibo retracement at 1.3575 which it had breached recently.

GBPUSD, however, recovered a little in the week earlier as the pair was highly oversold as indicated by the Bollinger-RSI combination. Last week however, the pair further slipped approaching the 38.2% Fibo retracement at 1.3160 as mentioned in the last report. In longer term, GBPUSD still continues to hold bearish trend after it breached the triangle supports.

But, in the weeks ahead, one can expect a further recovery in the pair atleast to the 23.6% Fibo level of 1.3575 which will act as a strong resistance yet again.

1.3350 could be used to go long on the pair with strict stops below 1.3270.

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1.3350 could be used to go long on the pair with strict stops below 1.3270.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 1.3350 SL 1.3270 TGT 1.3440/80				Buy 99.60/40 SL 98.80 TGT 100.40				1.3350-1.3500 99.40-100.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		96.96	97.86	98.76	99.22	99.66	100.12	100.56	101.46	102.36	
Exporters Strategy	Exporters are suggested to hedge their December exposure partially (50%) around 100.50. Pending to be held open with Stops below 98.80.										
Importers Strategy	Importers are suggested to hedge partially near 99.50 for December exposure. Pending exposure to be held open with Stop above 100.50 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
29.11.2021	Tentative	JPY	BOJ Gov Kuroda Speaks		
	08:30 PM	USD	Pending Home Sales m/m	0.8%	-2.3%
	10:45 PM	EUR	ECB President Lagarde Speaks		
30.11.2021	01:35 PM	USD	Fed Chair Powell Speaks		
	06:30 AM	CNY	Manufacturing PMI	49.8	49.2
	08:15 PM	USD	Chicago PMI	66.9	68.4
	08:30 PM	USD	Fed Chair Powell Testifies		
		USD	CB Consumer Confidence	110.8	113.8
01.12.2021	06:45 PM	USD	ADP Non-Farm Employment Change	525K	571K
	07:30 PM	GBP	BOE Gov Bailey Speaks		
	08:30 PM	USD	Fed Chair Powell Testifies		
		USD	ISM Manufacturing PMI	59.9	60.8
	09:00 PM	USD	Crude Oil Inventories		1.0M
02.12.2021	All Day	All	OPEC-JMMC Meetings		
	07:00 PM	USD	Unemployment Claims	248K	199K
03.12.2021	02:00 PM	EUR	ECB President Lagarde Speaks		
	07:00 PM	USD	Average Hourly Earnings m/m	0.4%	0.4%
		USD	Non-Farm Employment Change	528K	531K
		USD	Unemployment Rate	4.5%	4.6%
	08:30 PM	USD	ISM Services PMI	64.9	66.7

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