

Currencies Weekly Report

Week of 22.08.2022

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Global Economic Review & Outlook

There was little new in the Fed Minutes, but Powell gets another chance at Jackson Hole next week. Higher rates are working in the housing sector, but gasoline prices are more important for the consumer.

Financial conditions have loosened lately despite the forceful rate increases, which is counterproductive for the central bank.

Federal Reserve rate hike bets firmed up a bit after hawkish rhetoric from James Bullard and Esther George, two FOMC voters.

In a week without much hard US data, the Minutes of the July 27 FOMC meeting were supposed to be the highlight. However, the account of the Fed was not very helpful.

Given that the market interpreted Powell's speech as dovish and that we have had a raft of Fed officials trying to repair that impression by sounding hawkish in the weeks since, a more direct tone in the Minutes would have helped. Powell gets another chance at managing market's expectation at the Jackson Hole Economic Symposium next Friday.

The week ahead will not bring a lot of hard US data. PMIs will probably continue to show a weaker picture for manufacturing, but still ongoing strength in services as households are still in the process of switching back to a more normal consumptions pattern from the extremely goods-oriented preference during the pandemic.

The soft July CPI is not enough for a dovish Fed pivot. Traders will receive an inflation update for July via the US PCE price index.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	12705.21	13047.19	-2.62
DOW JONES	33706.15	33761.11	-0.16
NIKKEI	28930.33	28546.98	1.34
HANGSENG	19773.03	20175.62	-2.00
CAC	6495.83	6553.86	-0.89
DAX	13544.52	13795.85	-1.82
FTSE	7550.37	7500.89	0.66
FX	Last Close	Previous Week	% CHANGE
DX	108.17	105.67	2.37
EURUSD	1.0039	1.0259	-2.14
GBPUSD	1.1830	1.2134	-2.51
USDJPY	136.88	133.48	2.55

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	--	--	79.4335	79.6667	79.7528
EURINR	--	--	80.7680	80.9658	80.4179
GBPINR	--	--	96.1839	95.7440	94.9819
JPYINR	--	--	59.05	58.89	58.51

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	--	--	--	--	--
Tuesday	--	--	--	--	--
Wednesday	79.5050	79.9350	80.4900	81.1200	81.7050
Thursday	79.7175	80.1425	80.7125	81.3375	81.9225
Friday	79.8150	80.2450	80.8250	81.4500	82.0400

Dollar Outlook

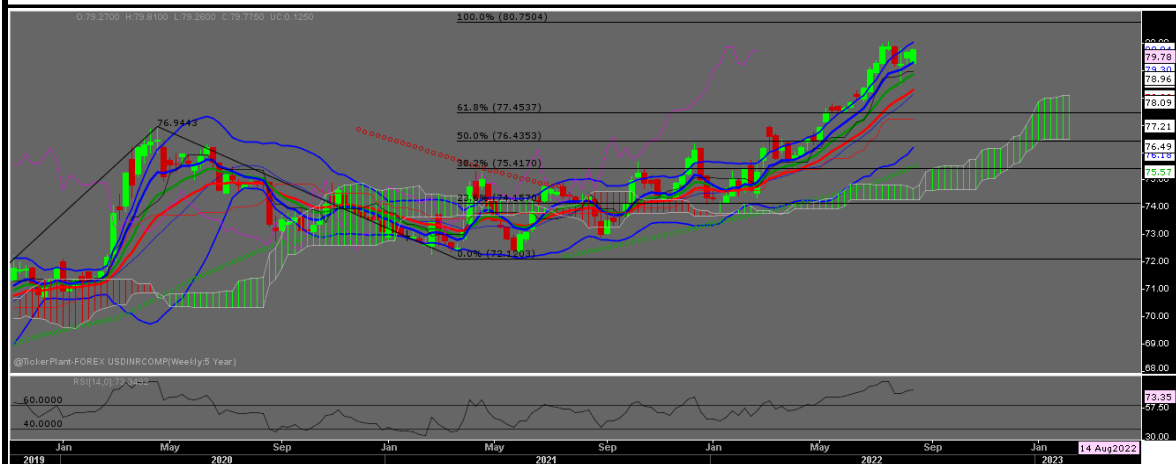
Jackson Hole has been heavily discussed since the Fed's supposed dovish pivot last month when it adopted a more data-dependent stance. While policymakers have pushed back against the idea of a pivot, markets have continued to price in a slower path of tightening.

Powell could use this platform to join the chorus of policymakers highlighting the need for ongoing aggressive tightening, continuing the push back against the market narrative.

The Fed needs tighter financial conditions to slow down the economy and tame inflation. Inflation is still running at 8.5% and looser financial conditions mean it might stay hot for longer.

As such, the Fed could push back, either by hyping the prospect of another 75-bp rate hike in September or through its balance sheet. The process to reduce the balance sheet has already started and will ramp up next month, with \$95 billion in securities rolling off per month as they mature.

A more forceful tone could dampen the comeback in equity markets and simultaneously add fuel to the Dollar. The energy crisis has hit the Euro, the BoJ's refusal to tighten policy has crippled the yen, and the implosion in China's property sector has weakened the commodity currencies.



The USDINR Weekly chart indicates the pair witnessed a strong recovery last week rising back to 79.80.

The pair trades very close to its lifetime high made last month where it has found resistance multiple times recently. While the pair has been technically overbought as indicated by the

While the pair has been technically overbought as indicated by the Bollinger-RSI combination, it is advisable to not go long at current levels but wait for a correction close to 79.50 which would be an appropriate level to go long.

However, the pair still trades above 8-13-20 EMA bullish crossover and suggests a continued upmove in the week ahead.

The Parabolic SAR penetrating the bullish Ichimoku cloud from beneath might help the pair to correct a little for traders to go long again.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 79.40-79.50 SL 79.05 TGT 79.95-80.15								79.50-80.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		77.97	78.52	79.07	79.42	79.62	79.97	80.17	80.72	81.27	
Exporters Strategy	Exporters were advised to hedge their August exposure fully around 79.40.										
Importers Strategy	Importers were advised to hedge August payables partially (30%) around 79.20. Pending to be held open with Stop above 79.75. Stop Triggered.										

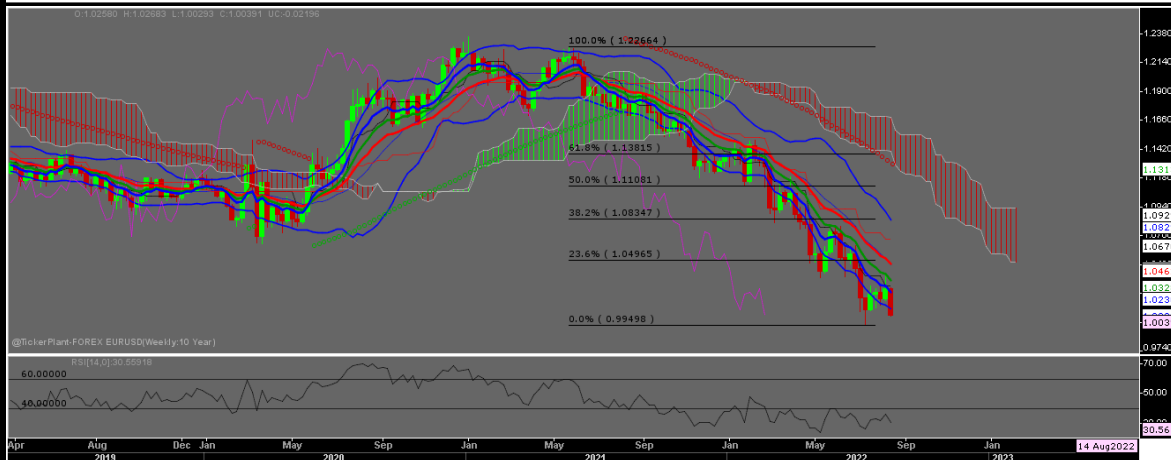
Euro Outlook

The energy problem in Europe is getting worse with German year-ahead power trading at a fresh record high. The German government warned that the economy is stagnating and the outlook is gloomy as energy prices soar and supply-chain disruptions continue. Adding to the Euro gloom, German PPI data released last week showed the price of goods and services sold in the wholesale market soared to record levels.

The EU published its final estimates of July's inflation figures, which came in line with expectations. Headline CPI inflation rate was 8.9% YoY, while the core reading stood at 4%.

Economic data in focus this week, with surveys among the highlights as flash PMIs, GfK and Ifo are released. Europe is likely heading for recession and the surveys will tell us how fearful businesses in the bloc are ahead of what could be a troubling winter on the energy front. On that, energy will be a key focus as it will throughout the winter.

The ECB meeting accounts will also be in focus as traders fully price in a 50 basis point hike next month. Appearances from policymakers will also be closely followed, as ever.



The EURUSD Weekly chart indicates the pair failed to hold itself above the 8-EMA while facing a strong resistance at the 13-EMA last week, forcing it to drop back to the lower Bollinger and settle even below that.

Euro has been facing strong resistance at all three 8-13-20 EMAs. Also, the bearish Ichimoku cloud indicates the pair is expected to further face resistance in near term.

The Parabolic SAR seems to have completely penetrated the bearish Ichimoku cloud from above, thus building hopes of a further pullback in the pair.

If EURUSD manages to rise back to 1.0150, a fresh selloff can be seen in the pair thus pushing it back to below parity.

Traders should wait for a pullback to initiate shorts in the Euro.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.0150-1.0170 SL 1.02 TGT 0.9960-0.9870				Sell 80.80-81.00 SL 81.50 TGT 79.90-79.60				0.9870-1.0170 79.50-81.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		77.83	78.72	79.62	79.92	80.51	80.82	81.41	82.30	83.20	
Exporters Strategy	Exporters were advised to hedge 40% of the August exposure around 81.50 Spot. Pending to hedged around 81.00 with Stop below 80.00 Spot.										
Importers Strategy	Importers were advised to hedge 60% of August payables around 80.50. Pending to be held open with Stop around 81.30 on Spot. Stop Triggered.										

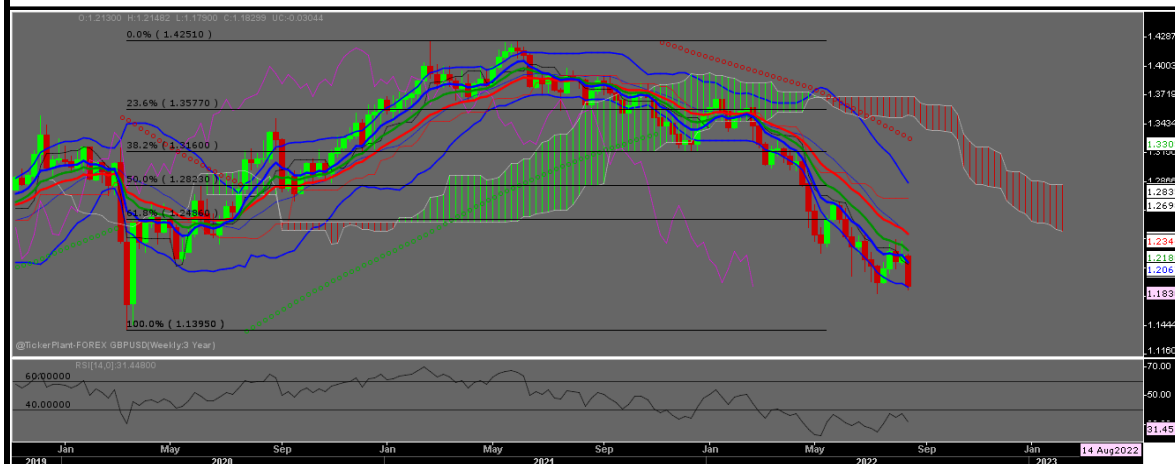
British Pound Outlook

The GBP did not enjoy its most productive week, losing ground against the Euro and US Dollar respectively. The losses came on the back of a continued rise in UK inflation, which puts the UK ahead of its Western European counterparts. Issues including Sterling weakness, Brexit-related supply chain issues, and soaring energy prices all contributed, with food prices rising 11.6% in four weeks.

The BoE has seen the pressure ramp up following this past week's data releases. It must hike more than any other G10 country as markets have priced in 154-bp of further hikes in 2022. It implies three 50-bp hikes are required at the three remaining meetings this year.

Should the BoE meet the rate hike target the GBP should remain supported, while another 'dovish' pivot, that disappoints against expectations, could send it lower. As we approach the end of August, the UK economic calendar is set to enjoy a subdued week.

The GBP remains in a precarious position as evidenced by last week's data with an increase in CPI and rate hike expectations coinciding with a weaker GBP. The CPI print has increased further pressure on stretched consumers who are now prone to strike for better pay. Strike action witnessed earlier was partially reignited this week and going forward could weigh on economic activity, with unions warning of 'indefinite' strike action.



The GBPUSD weekly chart indicates the pair has not been any different from EURUSD. The pair has failed to hold on to last week's gains and gave up to settle back below the 8-13-20 EMAs. The pair faces a strong resistance near 1.2180 and has seen a sharp depreciation last week making it fall back to the lower Bollinger band.

The Bollinger-RSI combination alongwith the penetration of bearish Parabolic SAR below the bearish Ichimoku cloud together indicate that GBPUSD is oversold and might witness a pullback. Levels close to 1.17 could see bargain hunters going long in the pair for small targets close to 1.19. But the recent low of 1.1750 seems to be mostly taken out in the week ahead.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.1730-1.1700 SL 1.1650 TGT 1.1920				Buy 94.00-93.80 SL 93.30 TGT 95.00-95.70				1.1700-1.1920 93.80-95.70		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		89.89	91.64	93.39	93.97	95.14	95.72	96.89	98.64	100.39	
Exporters Strategy	Exporters were advised to hedge their August exposure partially (30%) around 96.30. Total exposure to be held open with Stop below 94.80 Spot. Stop Triggered.										
Importers Strategy	Importers were advised to hedge partially (60%) near 96.00 Spot for August exposure. Pending to be held open with Stop above 96.50 Spot. Stop Triggered.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
22.08.2022	06:45 AM	CNY	PBoC Loan Prime Rate		2.75%
23.08.2022	01:00 PM	EUR	German Manufacturing PMI (Aug)	48.3	49.3
	02:00 PM	GBP	Composite PMI	51.3	52.1
		GBP	Manufacturing PMI	51.0	52.1
		GBP	Services PMI	52.0	52.6
	07:30 PM	USD	New Home Sales (Jul)	575K	590K
24.08.2022	06:00 PM	USD	Core Durable Goods Orders (MoM) (Jul)	0.2%	0.4%
	07:30 PM	USD	Pending Home Sales (MoM) (Jul)	-3.8%	-8.6%
	08:00 PM	USD	Crude Oil Inventories		-7.056M
25.08.2022	11:30 AM	EUR	German GDP (QoQ) (Q2)	0.0%	0.2%
	01:30 PM	EUR	German Ifo Business Climate Index (Aug)	86.7	88.6
	05:00 PM	EUR	ECB Publishes Account of Monetary Policy Meeting		
	06:00 PM	USD	GDP (QoQ) (Q2)	-0.8%	-0.9%
	06:00 PM	USD	Initial Jobless Claims	253K	250K
	Day 1	All	Jackson Hole Symposium		
26.08.2022	06:00 PM	USD	Core PCE Price Index (MoM) (Jul)	0.3%	0.6%
	07:30 PM	USD	Fed Chair Powell Speaks		
	Day 2	All	Jackson Hole Symposium		

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