

Currencies Weekly Report

Week of 31.01.2022



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Global Economic Review & Outlook

The Fed delivered another hawkish tilt, sending rates up and EURUSD down. The ECB is unlikely to follow in the Fed's footsteps next week, while the Bank of England will hike. Nonfarm payrolls and EA inflation figures in focus the coming week.

Oil traders will pay close attention to the upcoming OPEC+ meeting that should not disrupt how tight this energy market has become.

India will continue to try to foster a recovery with modest fiscal consolidation in the annual budget for FY 2022-2023 on Tuesday.

Last week's highlight was the Fed meeting. As expected, Chairman Powell confirmed that the Fed intends to start increasing its key rate in March. Markets expected four rate hikes going into the meeting and came out pricing in a fifth rate hike over the next 12 months.

Moreover, the run-off of the balance sheet will likely commence by the summer and by mid-May at the earliest as Powell said they would like to use at least two meetings to discuss the details.

Lagarde will likely seek to emphasise that the ECB is not driven by what happens in the US, as its actions will be determined by the evolving Euro-area outlook. Overall, we expect Lagarde's overall tone to be slightly dovish rather than hawkish.

Besides the ECB meeting, we also have rate meetings in the UK, Australia, the Czech Republic and Brazil. On the data front, from the US we can expect ISM figures for manufacturing and services as well as the nonfarm payrolls out on Friday. In the Euro Area we have new inflation figures.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	13770.60	13768.90	0.01
DOW JONES	34726.20	34265.50	1.34
NIKKEI	26717.34	27522.26	-2.92
HANGSENG	23550.08	24965.55	-5.67
CAC	6965.88	7068.59	-1.45
DAX	15318.95	15603.88	-1.83
FTSE	7466.07	7494.13	-0.37
FX	Last Close	Previous Week	% CHANGE
DX	97.27	95.64	1.70
EURUSD	1.1148	1.1343	-1.72
GBPUSD	1.3398	1.3554	-1.15
USDJPY	115.20	113.66	1.36

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.5788	74.7025	--	75.1724	74.9513
EURINR	100.9886	84.4840	--	84.3449	83.5977
GBPINR	84.4093	100.7035	--	100.9315	100.5157
JPYINR	65.52	65.60	--	65.54	64.95

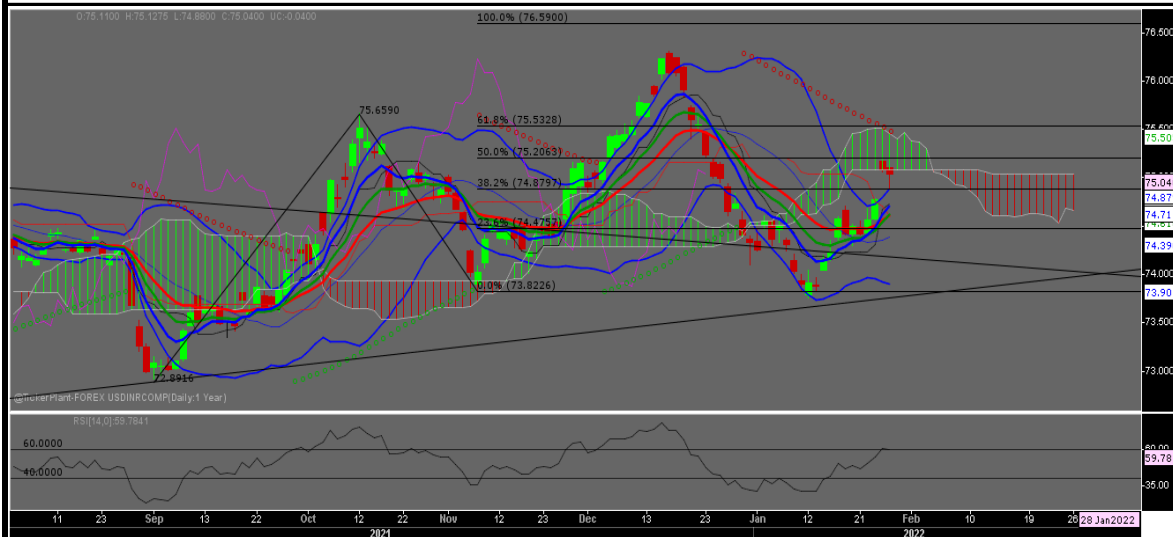
	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.5850	75.0800	76.0500	76.9250	77.7850
Tuesday	74.7800	75.2700	76.2200	77.0850	77.9400
Wednesday	--	--	--	--	--
Thursday	75.2950	75.9500	76.7950	77.6450	78.4700
Friday	75.2500	75.9150	76.7450	77.5850	78.4150

Dollar Outlook

The US Dollar roared higher this past week, catapulted by a hawkish Federal Reserve monetary policy announcement. Chair Jerome Powell opened the door to raising rates and ending quantitative easing in March. He was also not shy about leaving the door open to hiking at every rate decision this year if conditions warrant.

The US Dollar heads into the new week in a rather strong state. In addition to the boost from the Fed, rising global market volatility is playing another role in boosting demand for haven assets. The Greenback, which is the world's most liquid currency, tends to be a prime benefactor when market jitters permeate. All eyes are on the non-farm payrolls report. The nation is expected to add about 180k positions in January, down from roughly 200k in December. More focus may be given on average hourly earnings, which are anticipated at 5.2% y/y from 4.7% prior.

Meanwhile, earnings reports from Alphabet (Google), Amazon and Meta Platforms (Facebook) will be closely watched after mixed reactions to Netflix, Microsoft and Apple reports. With that in mind, a solid earnings reading may increase market volatility, boosting the US Dollar.



The USDINR Daily chart indicates the pair earlier tested the bottom of the Fibo Price extension plotted at 73.80 which happens to be a very strong multiple support level. USDINR last week recovered sharply to test the Fibo 50% level at 75.20 and also managed to settle above the 38.2% Fibo price extension at 74.90, thus indicating a further upside in the week ahead, as also supported by the upmove in RSI from below 40 in the North.

This week we suggest going long in the pair around 74.80 with strict stops placed below 74.40 for targets of 75.40 & 75.80. The downward momentum has come to an end as the Dollar restricts itself from breaching 74.05 in the downside.

In the Long-term, USDINR can revisit the 76 levels, but the pair will remain highly volatile in short term, swinging between 74 & 75.50. The Budget this week can bring in extra volatility to the pair.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 74.90-74.60 SL 74.40 TGT 75.40-75.80								74.60-75.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.27	73.16	74.04	74.54	74.92	75.42	75.80	76.69	77.57	
Exporters Strategy	Exporters are suggested to hedge their February exposure partially (30%) around 75.30 and 30% at 75.70 Spot. Pending to be held open with Stop at 74.40.										
Importers Strategy	Importers are suggested to hedge February payables 50% around 74.80. Pending to be held open with a strict Stop above 75.40 Spot.										

Euro Outlook

The ECB is expected to maintain its dovish stance on rate hikes and inflation over the medium term.

Italian elections continue to drag. We note that there is still no consensus on who the next Italian president will be. The drawn out process of voting every day until a president is elected has been acknowledged as inefficient.

The week ahead is stacked with economic data and interest rate decisions, both of high importance and significant market moving ability. On Monday, markets will get a first glimpse of Eurozone GDP for the final quarter of 2021. Eurozone core inflation will be monitored with great interest as the ECB's Chief Economist, Phillip Lane expressed that the Bank foresees inflation dropping this year and settling below the 2% target for 2023 and 2024.

Lastly, the ECB rate decision takes place on Thursday with no surprises expected. The ECB may provide an update on its plans to end the PEPP in March; while temporarily doubling its purchases under the Asset Purchase Programme for Q2 before reverting to 20 million Euros thereafter.



The EURUSD Daily chart indicates, the Euro, in the second half last week slipped below the 61.8% Fibo support of 1.1290.

The pair faces heavy resistance further north to end its bearish trend and we might see a drop in the prices in the week ahead as the pair loses 1.13.

As mentioned in our earlier reports where we expected EURUSD to recover atleast till 1.15 has happened and a further upward move seems to be unlikely immediately.

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

For the week ahead, one should go short around 1.12 for targets of 1.1080 and 1.1060 with stops placed above 1.13. However, we suggest to keep positions light.

Please note, the Long-term targets of 1.10 as a breach of Triangle pattern are still on cards.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.1200/20 SL 1.13 TGT 1.1080-1.1060				Sell 84.30 SL 84.80 TGT 83.00-82.50				1.1050-1.1250 82.50-84.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		79.70	81.07	82.44	83.00	83.82	84.37	85.19	86.56	87.93	
Exporters Strategy	Exporters are advised to hedge 50% around 84.30. Further pending February exposure to be held open with Stop at 82.40 Spot.										
Importers Strategy	Importers are advised to hedge 50% of February payables around 83.50 on Spot. Pending to be held open with Stop above 84.40.										

British Pound Outlook

The Pound is risk-sensitive and the escalating crisis between Russia and the West over Ukraine has dampened risk and is weighing on the pound. UK Defence Secy. Wallace, who will be travelling to Moscow, said that he was “not optimistic” about stopping a Russian invasion. If Russia does take military action against Ukraine, market participants will likely flock to the safe-haven dollar at the expense of the pound.

This week is all about the BoE meeting, with markets pricing in a more than 90% chance of a second consecutive rate hike, taking the base rate to 0.5%. With up to three more priced in this year, there is scope for the central bank to follow the Fed in leading investors further down the hawkish path.

The PM's job looks far from safe as the Sue Gray investigation has turned into a full blown police inquiry into numerous alleged parties during lockdown. The timing of the Sue Gray report remains unknown but could make life very difficult for the PM.

Governor Bailey noted recently that this early phase of QT is unlikely to have a huge impact - in the same way the latter stages of QE didn't either - and that



The GBPUSD Daily chart indicates, Pound has seen a strong reversal recently, after it tested 38.2% Fibo supports at 1.3160. GBPUSD has also achieved the Long-term short target of around 1.32 as indicated by the breach of a Triangle pattern. GBPUSD then moved past the bearish Ichimoku cloud and rallied above the 23.6% Fibo resistance at 1.3575 when the Bollinger-RSI combination indicated the pair to be overbought in short term and was expected to witness a fall. The pair has failed to hold the 1.3575/80 levels and a further downward move is expected to be seen in the pair supported by GBPUSD slipping below the bearish 8-13 EMA crossover. The RSI too indicates further corrections in the pair. In the week ahead one can go short on pullbacks to 1.3480 for targets of 1.33 with strict stops above 1.3550. However, the BoE rate Policy can help the pair give an upward reversal.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell below 1.3480 SL 1.3550 TGT 1.3300				Sell 101.00/30 SL 101.80 TGT 99.60-99.00				1.3300-1.3500 99.00-101.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		96.03	97.49	98.95	99.68	100.41	101.13	101.86	103.32	104.78	
Exporters Strategy	Exporters are advised to hedge their February exposure partially (50%) around 101.50. Pending to be held open with Stop below 99.70.										
Importers Strategy	Importers are advised to hedge partially (30%) near 100 for February exposure. Pending to be held open with Stop above 101.50 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
31.01.2022	08:15 PM	USD	Chicago PMI	61.7	63.1
01.02.2022	08:30 PM	USD	ISM Manufacturing PMI	57.4	58.7
		USD	JOLTS Job Openings	10.35M	10.56M
02.02.2022	All Day	All	OPEC-JMMC Meetings		
	06:45 PM	USD	ADP Non-Farm Employment Change	210K	807K
03.02.2022	05:30 PM	GBP	Asset Purchase Facility	875B	875B
		GBP	BOE Monetary Policy Report		
		GBP	MPC Official Bank Rate Votes	7-0-2	8-0-1
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate	0.50%	0.25%
	06:00 PM	GBP	BOE Gov Bailey Speaks		
	06:15 PM	EUR	Main Refinancing Rate	0.00%	0.00%
		EUR	Monetary Policy Statement		
	07:00 PM	EUR	ECB Press Conference		
		USD	Unemployment Claims	245K	260K
	08:30 PM	USD	ISM Services PMI	59.0	62.0
04.02.2022	Tentative	EUR	Spanish Unemployment Change	-50.7K	-76.8K
	05:45 PM	GBP	MPC Member Broadbent Speaks		
	07:00 PM	USD	Average Hourly Earnings m/m	0.5%	0.6%
		USD	Non-Farm Employment Change	166K	199K
		USD	Unemployment Rate	3.9%	3.9%

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