

Currencies Weekly Report

Week of 20.09.2021

Global Economic Review & Outlook

Evergrande has been struggling for long due to weak project sales, but it may be that the landslide of the real estate developer is revealing an even bigger landslide in the Chinese credit growth. The biggest issue when debating Chinese economic issues is that we are deliberately kept in the dark on many metrics by the authorities.

After the latest US CPI reading there is a sigh of relief amongst the inflation transitionistas as core inflation rose less than anticipated. Perhaps the Fed and most other central banks will be proved right in their view that core inflation will now plunge back to more normal levels.

The Fed is surely on course to implement tapering this year, but the question is how to link the tapering process to a set of economic variables that sugar-coat the process from being triggered, if the economic momentum falters.

The Fed, most certainly, will not present a firm tapering plan on Wednesday, but they will have to take further steps toward becoming concrete on how and when.

The FOMC could decide to communicate that a 3 month moving average at acceptable levels in the monthly NFP report would trigger a tapering implementation in November or December.

An average of 6-800k a month is likely enough to prompt an implementation later this year as it will leave the Fed on track to fulfil the employment mandate during the first half of 2022. The Fed is close to accepting that the inflation mandate is already fulfilled.

In the week ahead BOJ, FED & BoE are due for their bimonthly policy statements.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	15044.00	15115.50	-0.47
DOW JONES	34584.88	34607.72	-0.07
NIKKEI	30500.05	30381.84	0.39
HANGSENG	24920.76	26205.91	-4.90
CAC	6570.19	6663.77	-1.40
DAX	15490.17	15609.81	-0.77
FTSE	6963.64	7029.20	-0.93
FX	Last Close	Previous Week	% CHANGE
DX	93.19	92.58	0.66
EURUSD	1.1725	1.1810	-0.72
GBPUSD	1.3738	1.3830	-0.67
USDJPY	109.98	109.89	0.09

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	73.6350	73.6214	73.6712	73.4311	73.4927
EURINR	86.7970	86.9940	86.9738	86.6810	86.5210
GBPINR	101.7690	101.9759	101.8121	101.5209	101.3812
JPYINR	66.89	66.90	67.25	67.18	66.89

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	73.7550	74.1950	74.9300	75.8800	76.7300
Tuesday	73.7575	74.1975	74.9125	75.8700	76.7175
Wednesday	73.5650	74.0000	74.7300	75.6750	76.5300
Thursday	73.5700	74.0100	74.7350	75.6850	76.5350
Friday	73.5225	73.9650	74.6950	75.6450	76.4950

Dollar Outlook

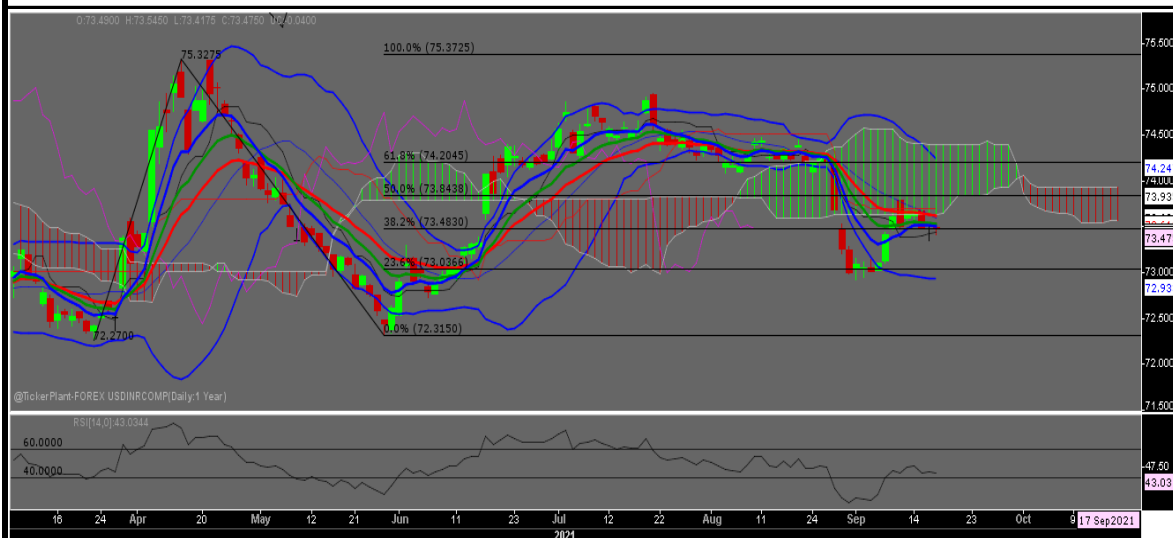
After a rocky first few days, the DXY gained +0.65% last week on the back of rising Fed rate hike odds. Bond and rates markets are now the most aggressive in their hawkish expectations of the Federal Reserve all year.

The middle of September will produce another busy docket of event risk based out of the US. Many of the data releases will mostly see reduced importance as the September Fed meeting is above all else.

While Fed rate hike odds were largely unmoved after the July FOMC minutes – which clearly stated the delineating between tapering and rate hikes – the US yield curve is moving in a manner that suggests a more hawkish Fed is here.

The September Fed meeting and press conference by Fed Chair Jerome Powell will take place on Wednesday.

On Thursday, the August Chicago Fed national activity index, weekly jobless claims figures, the September US Markit manufacturing PMI (flash), and August US CB leading index are all due.



The USDINR Daily chart indicates the Dollar in the past two weeks has been weakening against the Rupee slipping from 74.20 to 73.00 which seems to be a correction that is short-lived. As suggested by the oversold Bollinger-RSI last week, USDINR has now started an upward move after finding strong psychological support around 73.

The Fibonacci price extension shows the price has fallen to the 23.06% Fibo retracement at 73 and it has managed to hold around those levels last week and an upward reversal has been seen towards 73.50 and 73.85 in the last few sessions.

A sustenance above the 20 Day EMA at 73.60 next week can lift the pair back to 74.20.

Further, this week, one can initiate long positions in the pair with Stops around 72.75 for targets of 73.80 and 74.10.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 73.50-73.30 SL 73.10 TGT 73.80-74.10								73.00 - 74.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.37	72.75	73.14	73.31	73.52	73.69	73.90	74.28	74.67	
Exporters Strategy	Exporters were suggested to hedge their September exposure partially around around 74.20 Spot. Pending to be held open with Stops below 73.20 Spot which was triggered.										
Importers Strategy	Importers were suggested to hedge 50% September payables at 73.50 Spot. Pending to be held open with Stops above 74.20 Spot.										

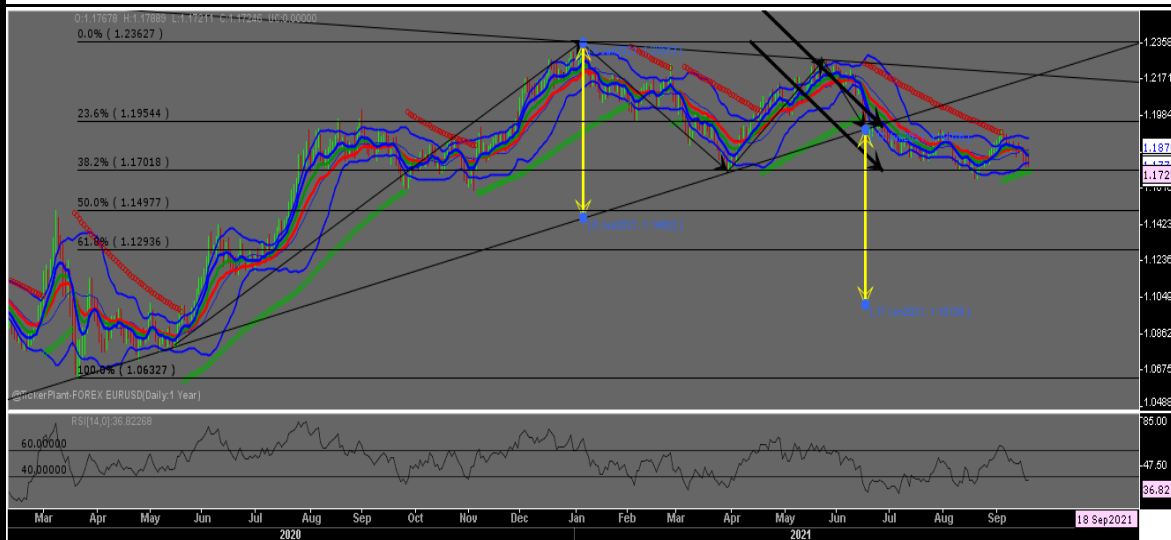
Euro Outlook

The key risk events for traders this coming week will be the meetings of monetary policymakers at the Federal Reserve, the Bank of England and the Bank of Japan; and their decisions will determine the course of the currency and other markets short-term.

However, next Sunday's German Federal Election will be important too, even though it could be months before a coalition government is formed.

There will be no clear winner. A coalition could take a month or even six months to be glued together and Merkel will remain in the hotseat throughout that period in a caretaker role. So nothing there to move markets.

The coming week is busy for economic data. Wednesday, with the flash Eurozone consumer confidence index for September, which is expected to fall to -5.6 from -5.3. The next day, release of manufacturing, services and composite PMIs for the Eurozone are due, and many of these are also expected to be lower. Friday will bring September's Ifo business climate index for Germany, which is expected to drop to 98.5 from 99.4.



The EURUSD Daily chart indicates, the Euro after finding a Triangle resistance around 1.2266 slipped, to even breach lower end of triangle to move even lower below 1.17 earlier.

Euro last week, continued to trade weak against Dollar moving back near the 38.2% Fibo support at 1.17.

The pair now trades below the bearish 8-13-20 EMA crossover indicating a continued slide this week, where if it breaks 1.17 will further dip moving down towards 1.15, the 50% Fibo support.

The pair which continues to be bearish in the long term can be sold off around 1.18 for weekly targets of 1.1650.

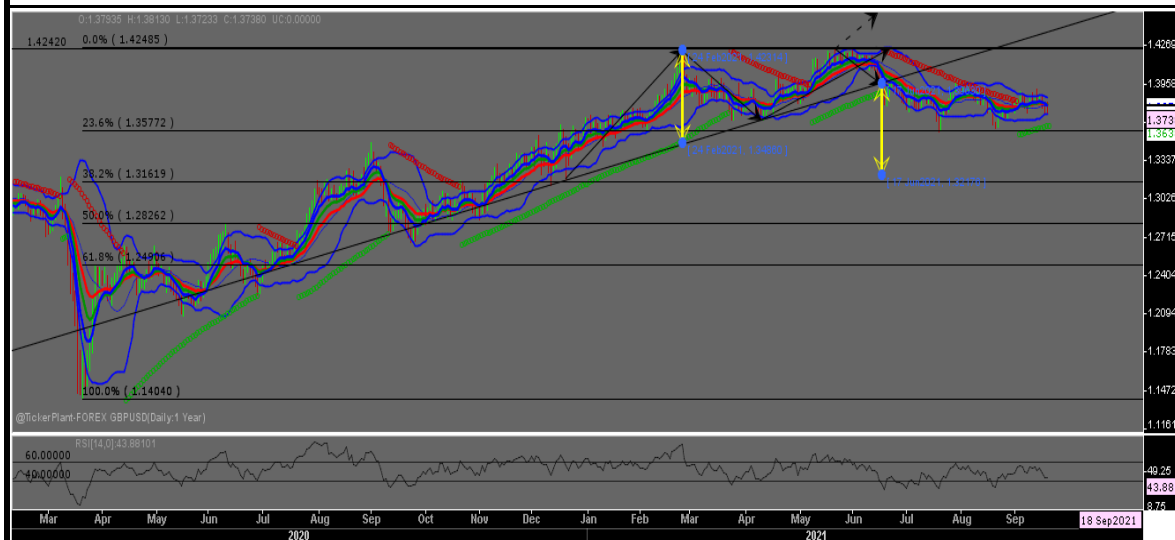
1.1950 which is the 23.6% Fibo resistance confirms to be a long term resistance in the pair.

One can initiate shorts around 1.1760 in the week ahead with stop at 1.18 for targets of 1.1680 & 1.1650.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.1760 SL 1.18 TGT 1.1680-1.1640				Sell 87.00 SL 87.40 TGT 86.30-86.00				1.1640-1.1760 86.00-87.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.57	85.28	85.99	86.28	86.70	86.99	87.40	88.11	88.82	
Exporters Strategy	Exporters were advised to hedge 50% around 87.50 & maintain strict stops at 86.00 on Spot for the remaining 50% of the September exposure.										
Importers Strategy	Importers were suggested to hedge 50% at 86.80 on Spot & maintain stops above 88.00 for pending September exposure.										

British Pound Outlook

Aside from the rising uncertainty in China over Evergrande default risks, two central bank (FED & BoE) decisions will dominate the market theme next week. Since the prior BoE meeting, the most interesting comment had been made by Governor Bailey, who stated that members in August were split 4-4 as to whether the minimum necessary criteria for raising rates had been reached. Following this comment, headline inflation has risen to 3.2%, hitting the highest level since 2012, while the jobs market has been strong with all regions besides London, Scotland and the South East now above pre-pandemic levels. The BoE has been cautious, given that the furlough scheme will expire at the end of the month, however, with a record amount of vacancies, having hit over 1mln, the impact of the furlough scheme's expiration is likely to be muted. Therefore, the BoE have reasons to be optimistic about the economic recovery and while risks are tilted for a hawkish outcome for the BoE meeting, there is a concern that markets may be overly optimistic amid the recent increase in rate hike calls by analysts as well as tightening priced in by money markets, in which a rate rise to 0.25% is seen by May 22.



The GBPUSD Daily chart indicates the Pound had faced strong resistance around 1.42 and had earlier breached the ascending triangle support of 1.3965 to test lows of 1.3730 at start of July. The pair earlier had been held near the 23.6% Fibo supports of 1.3575, following which it saw a recovery till 1.3980 and slipped yet again to test the 23.6% Fibo supports recently. GBPUSD slipped from around 1.3913 the last week to fall back to 1.3720 and also below the 8-13-20 D EMA bearish crossover. The pair now finds a strong resistance around 1.3930 holding which it has fallen back to 1.3780 and lower as mentioned in previous report. The pair continues to be bearish in longer term after it has breached the triangle pattern in the downside for targets of 1.3160. This week one can initiate shorts around 1.3830 in the pair.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.3830 SL 1.3880 TGT 1.3670				Sell 101.60 SL 102.00 TGT 101.00-100.60				1.3650-1.3850 100.50-101.60		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		98.73	99.68	100.63	100.95	101.58	101.90	102.54	103.49	104.44	
Exporters Strategy	Exporters were suggested to hedge their September exposure partially (50%) around 102. Pending to be held open with Stops below 100.50 which was triggered.										
Importers Strategy	Importers are suggested to target levels near 101 to hedge their September exposure partially. Pending exposure to be held open with Stops above 102.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
22.09.2021	Tentative	JPY	Monetary Policy Statement		
	08:00 PM	USD	Crude Oil Inventories		-6.4M
	11:30 PM	USD	FOMC Economic Projections		
		USD	FOMC Statement		
		USD	Federal Funds Rate	<0.25%	<0.25%
23.09.2021	12:00 AM	USD	FOMC Press Conference		
	01:00 PM	EUR	German Flash Manufacturing PMI	61.3	62.6
		EUR	German Flash Services PMI	60.3	60.8
	01:30 PM	EUR	Flash Manufacturing PMI	60.4	61.4
		EUR	Flash Services PMI	58.4	59.0
	02:00 PM	GBP	Flash Manufacturing PMI	59.0	60.3
		GBP	Flash Services PMI	55.0	55.0
	04:30 PM	GBP	Asset Purchase Facility	875B	875B
		GBP	MPC Asset Purchase Facility Votes	0-1-8	0-1-7
		GBP	Monetary Policy Summary		
		GBP	MPC Official Bank Rate Votes	0-0-9	0-0-8
		GBP	Official Bank Rate	0.10%	0.10%
	07:15 PM	USD	Flash Manufacturing PMI	61.1	61.1
		USD	Flash Services PMI	55.1	55.1
24.09.2021	07:30 PM	USD	Fed Chair Powell Speaks		

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