

# Currencies Weekly Report

Week of 27.09.2021

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September 26, 2021

## Global Economic Review & Outlook

The FOMC is very close to admitting to “substantial further progress” on both mandates (inflation and employment), which means that tapering will be started in November unless something unexpected happens.

Evergrande fears and a firm tapering signal from the Fed, but risk assets are still performing. This week’s events might lead to a stronger Dollar in near term but a cyclical downturn over the next two to three quarters could be seen.

Last Monday’s price and news action felt a little reminiscent of Lehman, but Evergrande does not have the potential to turn into a systemic crisis. We stick to the view and find it most likely that Evergrande will be quasi-nationalised in an orderly process that will ultimately not lead to material international contagion.

Growth prospects were lowered, while inflation prospects were hiked by FOMC and dot plot was split 50/50 between a hike or no hike in 2022.

If the Fed sees the economy continues to expand according to expectations, they could easily move ahead the next meeting and Powell even sees conditions met for starting to taper himself. November is now the base case for tapering.

Powell hinted that 755K as the three-month average of the NFP job creation remained solid. The pace of tapering will likely be calibrated towards ending the net purchase by summer 2022.

The Covid-19 development is now the focal point for tapering.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	15047.70	15044.00	0.02
DOW JONES	34797.60	34584.88	0.62
NIKKEI	30248.81	30500.05	-0.82
HANGSENG	24192.16	24920.76	-2.92
CAC	6638.46	6570.19	1.04
DAX	15531.75	15490.17	0.27
FTSE	7051.48	6963.64	1.26
FX	Last Close	Previous Week	% CHANGE
DX	93.33	93.19	0.15
EURUSD	1.1721	1.1725	-0.04
GBPUSD	1.3670	1.3738	-0.49
USDJPY	110.75	109.98	0.70

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	73.6459	73.5907	73.8026	73.7261	73.6935
EURINR	86.2757	86.3670	86.5262	86.3770	86.4690
GBPINR	100.9199	100.6721	100.7602	100.6597	101.1198
JPYINR	67.04	67.16	67.36	67.11	66.66

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	73.7800	74.2200	74.9600	75.9150	76.7650
Tuesday	73.6450	74.0900	74.8300	75.7850	76.6350
Wednesday	73.8975	74.3350	75.0750	76.0250	76.8750
Thursday	73.6500	74.0825	74.8075	75.7425	76.5875
Friday	73.7000	74.1325	74.8650	75.8100	76.6600

## Dollar Outlook

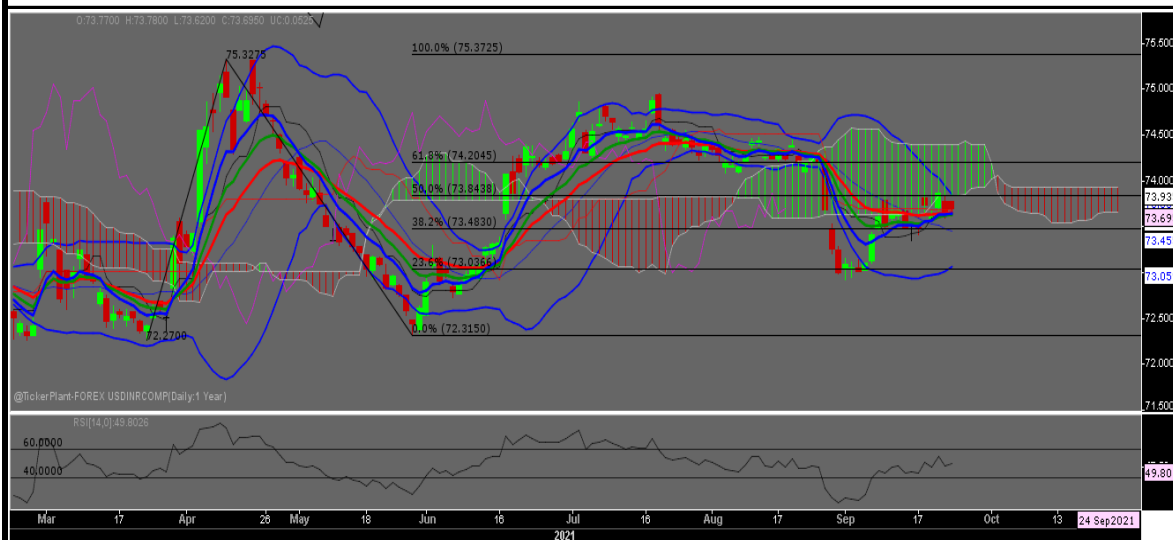
Fresh data prints coming out of the US may prop up the Dollar over the remainder of the month as the Federal Reserve appears to be on track to change gears later this year.

The Dollar Index hit a fresh monthly high (93.52) following the FOMC interest rate decision as the central bank laid out a tentative exit strategy, and signs of stronger growth along with indications of sticky inflation may prop up the Dollar as it fuels speculation for an imminent shift in Fed policy.

A rebound in orders for US Durable Goods along with an uptick in the Conference Board's Consumer Confidence index may encourage the FOMC to normalize monetary policy sooner as it instills an improved outlook for private-sector consumption; one of the leading drivers of growth.

At the same time, the update to the PCE may reinforce the recent adjustments to the Summary of Economic Projections (SEP) as Powell and Co. forecast faster price growth for 2021.

However, a marked downtick in the ISM Manufacturing survey may produce headwinds for the US Dollar.



The USDINR Daily chart indicates the Dollar although faced a strong resistance at the 50% Fibo retracement of 73.85, it has also managed to hold above the 38.2% Fibo level of 73.50.

The pair also managed to close for the week above the 8-13-20 EMAs just below the Ichimoku cloud.

As USDINR trades around the upper end of the contracted Bollinger bands and with the RSI showing further room for the pair to move higher, in the coming week we expect the pair to breach the 73.85 mark an approach 74.20 levels which is the 61.8% Fibo retracement resistance.

A small bearish ichimoku cloud might bring some resistance. With the DXY gaining upward momentum, USDINR is expected to follow and test highs of 74.20 in the week ahead.

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

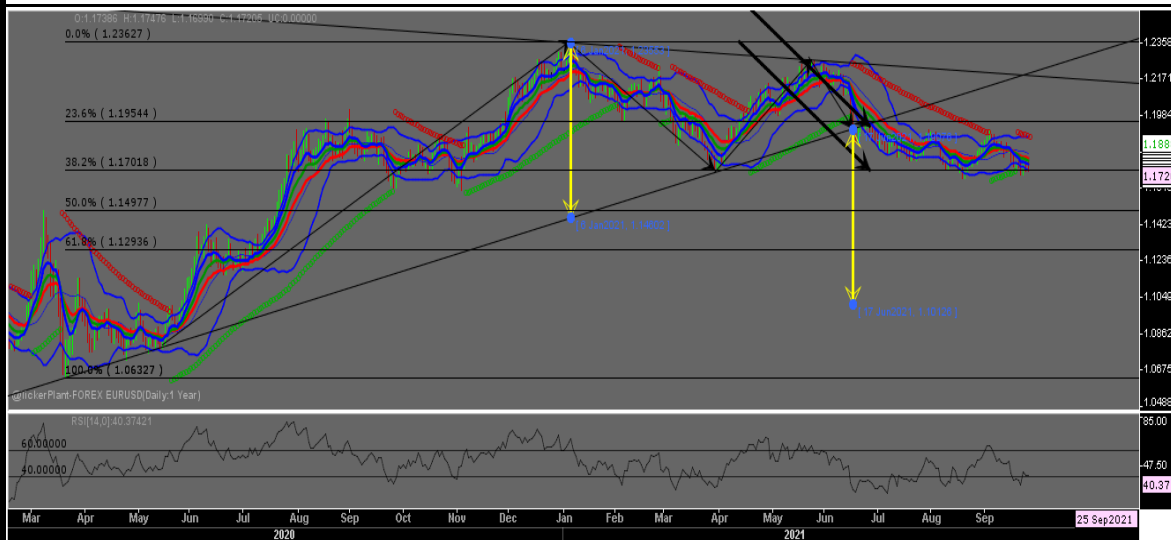
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 73.50-73.40 SL 73.10 TGT 73.90-74.10								73.20 - 74.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.70	73.04	73.39	73.54	73.73	73.89	74.08	74.42	74.77	
Exporters Strategy	Exporters are suggested to hedge their October exposure partially around around 73.90 Spot. Pending to be held open with Stops below 73.30.										
Importers Strategy	Importers are suggested to hedge 50% October payables at 73.60 Spot. Pending to be held open with Stops above 74.20 Spot.										

## Euro Outlook

The results of Germany's Federal Election should be known by the start of trading Monday and a limited bounce in EUR/USD is possible, if only because another risk event will have passed by. However, it is hard to see the results having any longer-term impact on the Euro, particularly as a coalition could take months to build and Chancellor Angela Merkel will stay in charge until it has been.

Later in the week, attention will turn to the latest Eurozone economic data – and there will be plenty of that to digest. German and French consumer confidence figures are released Tuesday, followed by Eurozone sentiment numbers Wednesday. More important, though, will be inflation data for France and Germany Thursday and then the Eurozone as a whole Friday.

A tightening of monetary policy by the European Central Bank remains far in the future but strong inflation figures would still be a concern for the ECB and strengthen the Euro if only modestly.



The EURUSD Daily chart indicates, the Euro has been hovering near the 38.2% Fibo supports of 1.17 which has acted as a support multiple times in recent past.

The pair moved below 1.17 a couple of times last week and with the pair continuously trading below the 8-13-20 DEMA bearish crossover, it is clear that the pair still has a lot of selling pressure on upticks.

The Bollinger-RSI combination however indicates the pair is oversold and might see small recovery where one can expect selling in the pair again.

Levels close to 1.1850 are ideal to initiate medium term shorts. However, for the week ahead, one can initiate shorts around 1.1760 with stop at 1.18 for targets of 1.1680 & 1.1650.

In longer term, EURUSD still continues to hold bearish trend after it breached the triangle supports.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.1760 SL 1.18 TGT 1.1680-1.1650				Sell 86.70 SL 87.00 TGT 86.20-86.00				1.1640-1.1760   85.80-86.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.93	85.44	85.95	86.20	86.46	86.71	86.97	87.48	87.99	
Exporters Strategy	Exporters are advised to hedge 50% around 86.70 & maintain strict stops at 86.20 on Spot for the remaining 50% of the October exposure.										
Importers Strategy	Importers are suggested to hedge 50% at 86.40 on Spot & maintain stops above 87.00 for pending October exposure.										

## British Pound Outlook

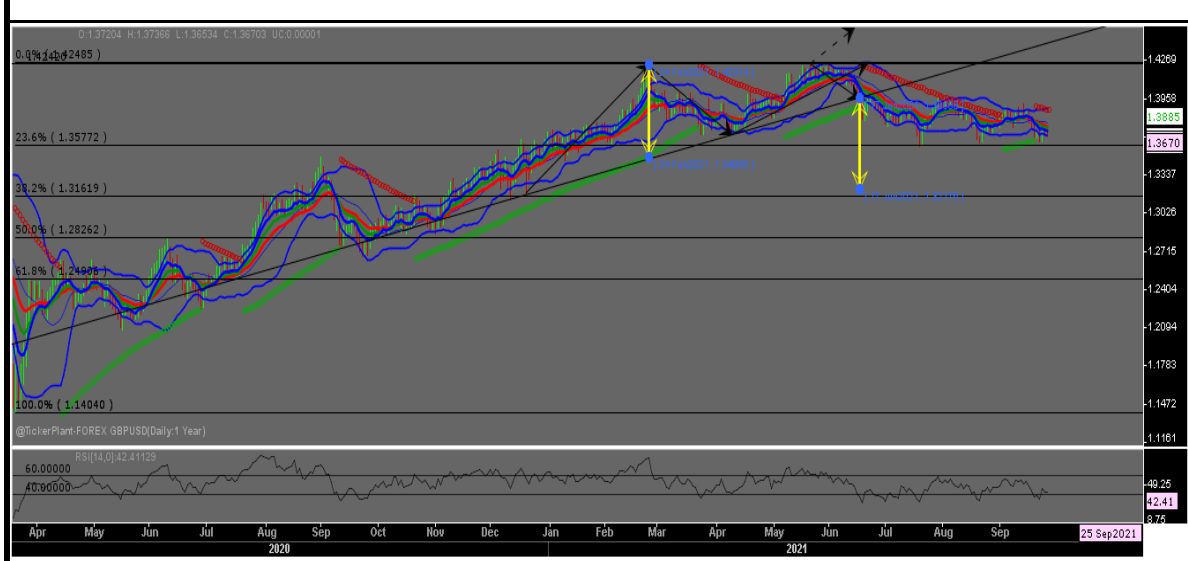
The Bank of England has remained dormant for a while. The regulator has occasionally made some statements but refrained from taking any action. In essence, it has followed in the footsteps of the European Central Bank (ECB) and the Federal Reserve.

The BoE monetary policy statement came as a surprise. The rate-setting committee unveiled its agenda for policy tightening and also the timeline for raising interest rates. The first-rate hike to 0.25% is due in May 2022. The second one will be in December.

Such a policy update caught investors off-guard. Traders responded to the news with optimism, and the pound sterling rallied. The Bank of England came up with a clear timeline for rate hikes, unlike the Federal Reserve.

Further, in the week ahead, apart from the BoE Governor's speeches there are no much important datapoints due for release in the UK.

GBP will most likely react to the data releases in the U.S. & Eurozone.



The GBPUSD Daily chart indicates, the Pound has been hovering near the 23.6% Fibo supports of 1.3580 against the Dollar which has acted as a support multiple times in recent past.

The pair moved close to 1.36 a couple of times last week and with the pair continuously trading below the 8-13-20 DEMA bearish crossover, it is clear that the pair still has a lot of selling pressure on upticks.

The Bollinger-RSI combination however indicates the pair is oversold and might see small recovery where one can expect selling in the pair again.

Levels between 1.38 & 1.3850 are ideal for medium term shorts. However, for the week ahead, one can initiate shorts around 1.3750 with stop at 1.38 for targets of 1.3650 & 1.3600.

In longer term, GBPUSD still continues to hold bearish trend after it breached the triangle supports.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.3750 SL 1.3800 TGT 1.3650-1.3600				Sell 101.40 SL 101.70 TGT 100.90-100.60				1.3600-1.3750   100.50-101.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		98.57	99.35	100.13	100.56	100.91	101.34	101.69	102.47	103.25	
Exporters Strategy	Exporters are suggested to hedge their October exposure partially (50%) around 101.50 Pending to be held open with Stops below 100.50.										
Importers Strategy	Importers are suggested to target levels near 100.60 to hedge their October exposure partially. Pending exposure to be held open with Stops above 101.70.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
27.09.2021	06:00 PM	USD	Core Durable Goods Orders m/m	0.5%	0.8%
		USD	Durable Goods Orders m/m	0.7%	-0.1%
	11:30 PM	GBP	BOE Gov Bailey Speaks		
28.09.2021	07:30 PM	USD	CB Consumer Confidence	115.2	113.8
29.09.2021	12:30 AM	USD	FOMC Member Bostic Speaks		
	07:30 PM	USD	Pending Home Sales m/m	1.1%	-1.8%
	08:00 PM	USD	Crude Oil Inventories		-3.5M
	09:15 PM	EUR	ECB President Lagarde Speaks		
		GBP	BOE Gov Bailey Speaks		
		JPY	BOJ Gov Kuroda Speaks		
		USD	Fed Chair Powell Speaks		
30.09.2021	06:30 AM	CNY	Manufacturing PMI	50.3	50.1
	Tentative	JPY	BOJ Gov Kuroda Speaks		
	06:00 PM	USD	Final GDP q/q	6.7%	6.6%
		USD	Unemployment Claims	328K	351K
	07:15 PM	USD	Chicago PMI	64.9	66.8
01.10.2021	01:25 PM	EUR	German Final Manufacturing PMI	58.5	58.5
	06:00 PM	USD	Core PCE Price Index m/m	0.2%	0.3%
	07:30 PM	USD	ISM Manufacturing PMI	59.6	59.9
		USD	Revised UoM Consumer Sentiment	71.0	71.0

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