

## Currencies Outlook

December 2020



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## Dollar Outlook

The U.S. dollar traded higher against most major currencies to begin the week. The gains were sharp and abrupt, coming shortly after PMI reports. According to the latest numbers, manufacturing and service-sector activity expanded at a faster pace in the month of November.

This improvement was a surprise considering that COVID-19 cases shot up this month, forcing states to roll out new restrictions. However, these statistics also explain why some governors have gone to lengths to avoid new restrictions despite alarming coronavirus cases.

The Dow Jones Industrial Average rose more than 200 points and USD/JPY rose back above 104. The good news is that stronger PMIs ease concerns about a deep contraction in growth this month, so even if there's a material slowdown in late November, early December, it will be from a higher base.

Meanwhile cabinet appointments from Biden, Fed Policy minutes, rising COVID-19 cases and ongoing lockdowns and restrictions along with developments in the vaccine still continue to drive the Dollar.

USDINR trading witnessed a few Dollar inflows from MSCI & Reliance but also found RBI interventions around 73.85 which helped the pair to settle near 74 big figure. December shall witness a tiff between inflows and interventions keeping USDINR mostly stable between 74.00 & 74.50.



<b>Technical Outlook:</b>
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The Daily chart of USDINR clearly shows 73 as a strong support from where the pair managed to bounce back to levels above 74.50 recently. However, the pair failed to hold on to these levels and slipped down to settle near 74. The pair is now expected to hover around 74 for most of the time in December but might as well move down to test 73.70 and a little lower further to 73.50 in panic. Till the time it manages to hold on to 74.50, USDINR shall continue to move between 73.70 & 74.50.

Monthly Bias	Monthly Trading Strategy								Monthly Range		
Sideways	NIL				NIL				73.45 - 74.65		
Pivot Levels USDINR		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		73.15	73.30	73.45	73.60	74.25	74.50	74.65	74.80	75.30	
Exporters Strategy	Partial Forward booking is advised between 74.35-74.50 SPOT levels and further near 74.80. However, a strict Stop below 73.50 SPOT is advised.										
Importers Strategy	Partial Forward booking is advised at 73.85 and further at 73.60 on SPOT. A strict Stop at 74.35 on SPOT is advised.										

## Euro Outlook

Eurozone PMIs were not as bad as economists feared, with manufacturing holding up better in Germany and the region as a whole this month.

Given the breadth of recent lockdowns, a more significant contraction was expected. That could still happen as the manufacturing numbers are subject to revisions. Also, major cities across the Europe still are battling to control the rising corona virus cases.

Last we saw EURINR to test levels close to 87.50 which acted as a strong barrier in the bull run of the pair earlier which made the pair to trade between 86.60 and 87.50.



## Technical Outlook:

The Daily charts for EURUSD indicate the pair has found good support at 1.1680 levels and has bounced to levels above 1.19 now.

The Bollinger-RSI combination shows the pair is overbought and might see a sharp correction soon. 1.20 has been a strong multiple resistance where the pair might face sharp selling yet again.

However, 1.16 too is a strong support level, thus keeping the pair in this wide range of 400 pips in December.

EURINR is expected to play the wide range of 86.50 - 89.50 during December.

Monthly Bias	Monthly Trading Strategy							Monthly Range			
Sideways to Bearish	NIL				NIL			86.40 - 89.30			
Pivot Levels EURINR		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		85.80	86.20	86.40	86.85	87.70	88.90	89.30	89.50	89.80	
Exporters Strategy	Advise to hedge December Exposures at 88.30 (Spot) partially. One should protect the downside below 87.30 on SPOT for the December receivables.										
Importers Strategy	Advice to book partially at 87.50 SPOT and hold the remaining open with a stop above 88.50 SPOT.										

## British Pound Outlook

Between stronger PMIs, talk of a Brexit deal this week (or this month), and the government's decision to end its stay-at-home order and ease restrictions starting Dec. 2, investors found enough reasons to take the currency up higher.

The manufacturing PMI index actually came in at 55.2, well above the forecast of 50.5. Service sector activity slowed, with the PMI index dropping to 45.8 from 51.4, but this number along with the composite were still higher than forecast.

While Brexit talks will decide the fate of sterling, the recent developments helped sterling outperform euro and the U.S. dollar.

With a reopening date in sight, it could attract even more demand, particularly against the euro because Germany has talked about extending its lockdown into late December.

Pound against INR too is expected to remain appreciated for most of December and economic datapoints from UK along with the developments on the Brexit deal shall drive the pair going forward.



### Technical Outlook:

The GBPUSD daily charts indicate a strong bullish bias in the pair where it has found support at 1.2685 levels which is a 38.2% Fibonacci retracement level.

Further the pair faced resistance at the 23.6% Fib retracement at 1.2990 but surpassed the same at the beginning of November only to rise further above 1.33.

1.3480 is an immediate resistance which seems to be breached looking at the optimism due to a decent deal with the European Union.

GBPINR, similarly, has been on a continued upward move from 93.50 in September to 99.15 yesterday.

The pair is further expected to continue its bull run.

Monthly Bias	Monthly Trading Strategy								Monthly Range		
Bullish	NIL				NIL				96.50 - 100.00		
Pivot Levels GBPINR		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		95.80	96.30	96.50	96.90	97.90	98.90	99.30	99.50	100.00	
Exporters Strategy	Advice to hold exposures open for an upside move till 98.90 on SPOT where partial hedging can be done and further wait for an upside till 99.30 to add more to the hedge.										
Importers Strategy	Suggest to book partially (50%) at 98.50 on SPOT and hold remaining exposure open with stop above 99.30 on SPOT.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
01.12.2020	All Day	All	OPEC-JMMC Meetings		
	08:30 PM	USD	ISM Manufacturing PMI		59.3
04.12.2020	07:00 PM	USD	Average Hourly Earnings m/m		0.1%
		USD	Non-Farm Employment Change		638K
		USD	Unemployment Rate		6.9%
10.12.2020	06:15 PM	EUR	Main Refinancing Rate		
		EUR	Monetary Policy Statement		
	07:00 PM	EUR	ECB Press Conference		
16.12.2020	07:00 PM	USD	Core Retail Sales m/m		
17.12.2020	12:30 AM	USD	FOMC Statement		
		USD	Federal Funds Rate		
	05:30 PM	GBP	MPC Official Bank Rate Votes		
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate		
18.12.2020	01:45 PM	EUR	French Flash Services PMI		
	02:00 PM	EUR	German Flash Manufacturing PMI		
		EUR	German Flash Services PMI		

Report prepared by:

Siddhesh Ghare

[sghare@phillipcapital.in](mailto:sghare@phillipcapital.in)

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