

# Currencies Weekly Report

Week of 15.11.2021

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November 15, 2021

## Global Economic Review & Outlook

Europe seems to be caught off guard by the spread of the virus, could the US be next? Biden's vaccine mandate could worsen inflation pressures in 2022. Targeted measures against the unvaccinated are unlikely to control the virus spread, which makes broader restrictions likely in 4-6 weeks from now. This will likely make the ECB err on the dovish side despite increasing lock-down-flation.

The composition of demand has changed towards goods and away from services, which drives inflation due to component shortages, increased energy consumption, supply chain bottlenecks – on top of goods prices being more variable.

On the global scene, we will be keeping an eye on virus developments. Austria, Belgium, Denmark, the Netherlands and Norway have recently tightened the screws on their populations. Germany's would-be chancellor Scholz has presented more measures – for example excluding the unvaccinated from certain venues to get through the winter. In the U.S., lockdowns and travel bans limit global and national labour market mobility, which drives inflation. Paying bonus benefits so that wage earners get paid more to sit at home than to actually go to work. This further increases labour scarcity and drives inflation. Schools and primary care centres are closed, and in some places mask requirements and social distancing is implemented even for toddlers, which further increases labour scarcity. Equilibrium rate of unemployment (NAIRU) has risen by 2.5-3% since before the pandemic implying higher sustained inflation rates from a specific unemployment rate.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	15861.00	16359.38	-3.05
DOW JONES	36100.37	36329.07	-0.63
NIKKEI	29609.97	29611.57	-0.01
HANGSENG	25327.97	24870.51	1.84
CAC	7091.40	7040.79	0.72
DAX	16094.07	16054.36	0.25
FTSE	7347.91	7303.96	0.60
FX	Last Close	Previous Week	% CHANGE
DX	95.12	94.22	0.96
EURUSD	1.1441	1.1568	-1.10
GBPUSD	1.3413	1.3495	-0.61
USDJPY	113.89	113.41	0.43

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.1106	73.9191	74.1659	74.4749	74.4694
EURINR	85.7079	85.7782	85.8713	85.5091	85.2238
GBPINR	99.9703	100.3452	100.5072	99.9925	99.5646
JPYINR	65.23	65.52	65.69	65.37	65.18

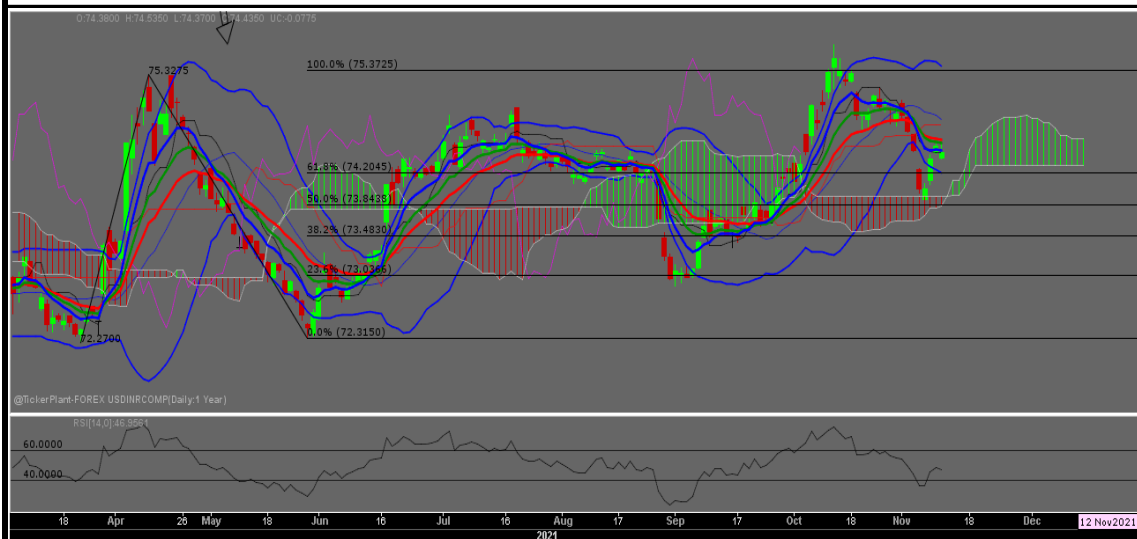
	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.1650	74.7100	75.6700	76.5500	77.4250
Tuesday	74.1475	74.6775	75.6375	76.5175	77.3975
Wednesday	74.4850	75.0000	75.9500	76.8450	77.7350
Thursday	--	--	--	--	--
Friday	74.5150	74.9950	75.9400	76.8150	77.7050

## Dollar Outlook

The Dollar Index pulled back from a fresh yearly high (95.27) as U. of Michigan Confidence survey tumbled to 66.8 from 71.7 in October to mark the lowest reading since 2011, but indications of stronger economic activity may keep the Dollar afloat as it put pressure on the Fed to implement higher rates sooner. The recent rally in the Dollar comes on the back of larger-than-expected uptick in the CPI, and the update to Retail Sales report may generate a bullish reaction in Dollar as household spending is expected to increase for the third consecutive month.

Retail Sales are projected to rise 1.4% in October, and a pickup in private sector consumption may fuel speculation for higher rates with the FOMC on track to reduce the monthly pace of its net asset purchases by \$15 billion.

As a result, signs of sticky inflation along with evidence of stronger activity may push the FOMC to forecast a steeper path for interest rates as the central bank is slated to update the Summary of Economic Projections (SEP) at its last meeting for 2021, and it remains to be seen if Chairman Powell and Co. will respond to recent data prints as officials continue to brace for a transitory rise in price growth.



The USDINR Daily chart indicates the Dollar after printing a high of 75.65 in October, slipped to test 73.84 last week.

A correction of almost Rs. 2 in less than a month brings in heavy buying which could support the pair and take it up again atleast by a rupee (50% recovery).

74.80/85 levels are eyed in the week ahead with the current upward momentum that Dollar possesses globally.

73.85 is a strong support, which the pair has tested and moved north where 74.60 is an interim resistance and 75 is the psychological resistance. The Bollinger-RSI combination which supports further upmove in the pair is also justified by a thin bullish Ichimoku cloud.

USDINR at the beginning of this week if manages to move above the 20 DEMA, a bullish crossover of 8-13-20 DEMAs could happen leading to further upward move in USDINR till 75.

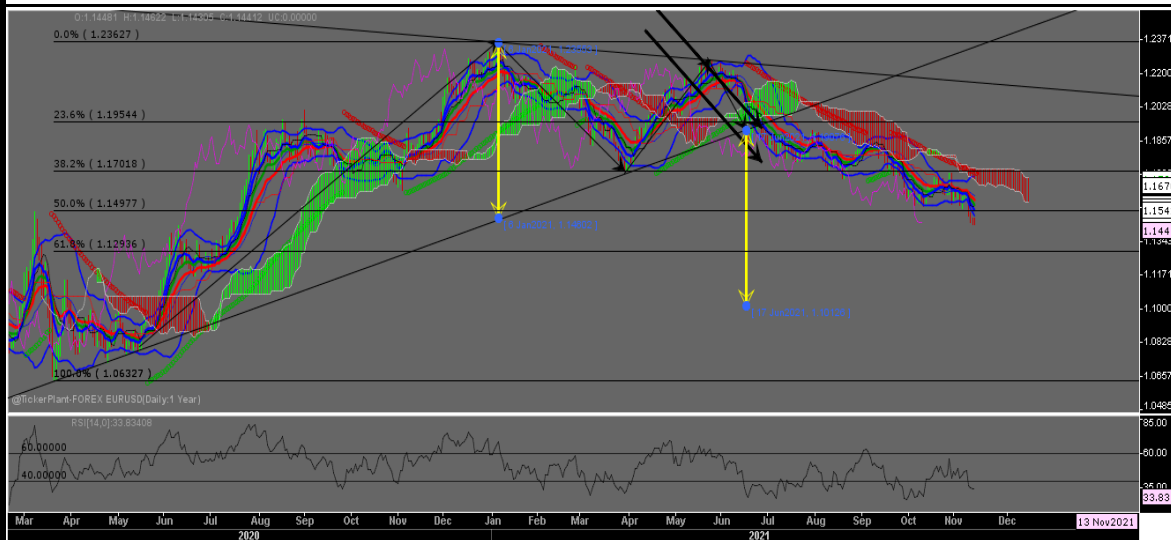
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 74.20-74.30 SL 73.90 TGT 74.70-75.00								74.10 - 75.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.06	72.81	73.55	73.99	74.29	74.73	75.03	75.78	76.52	
Exporters Strategy	Exporters are suggested to hedge their November exposure partially (30%) around 75 Spot.										
Importers Strategy	Importers were suggested to hedge 30% November payables at 74.70 Spot & 50% around 74.20 Spot. Pending to be held open with Stops above 75.00 Spot.										

## Euro Outlook

Last Wednesday's sharp fall in EURUSD below 1.15 to its lowest level for almost 16 months was due to news that US inflation had hit its highest level in 30 years rather than to any new developments in the Eurozone. Nonetheless, it emphasized again how far the ECB will be behind the Fed in tightening monetary policy, and that will likely provide further direction in EURUSD both near-term and long-term.

Euro continues to suffer from the perception that ECB will not be tightening monetary policy until well after some of the other major central banks, including the Fed and the BoE. Even though the markets long ago priced that in, last Wednesday's steep fall after a shocking US inflation data was also shocking.

The December 16 meeting of the ECB Governing Council remains key as by then the council members will have received the revised forecasts for the Eurozone economy. Even though inflation hit a 13-year high in October at 4.1% the key question will be whether the council members will still expect it to fade in the coming months. The bad news for Euro bulls is that they are most likely to continue to believe it will, and that will likely mean a longer-term weakness in Euro.



The EURUSD Daily chart indicates, the Euro has slipped below the 50% MAJOR Fibo supports of 1.15.

The pair now faces a dense bearish Ichimoku cloud ahead to end the year.

A continued bearish crossover of 8-13-20 DEMAs indicates a continued selling pressure in EURUSD.

However, the Bollinger-RSI combination indicates the pair is highly oversold and a sudden bounce cannot be ruled out.

In the week ahead, though the pair is still in a major downtrend it might again see some recovery from the current lower levels and rise up close to 1.1550.

This should be the best level to initiate fresh shorts in the pair.

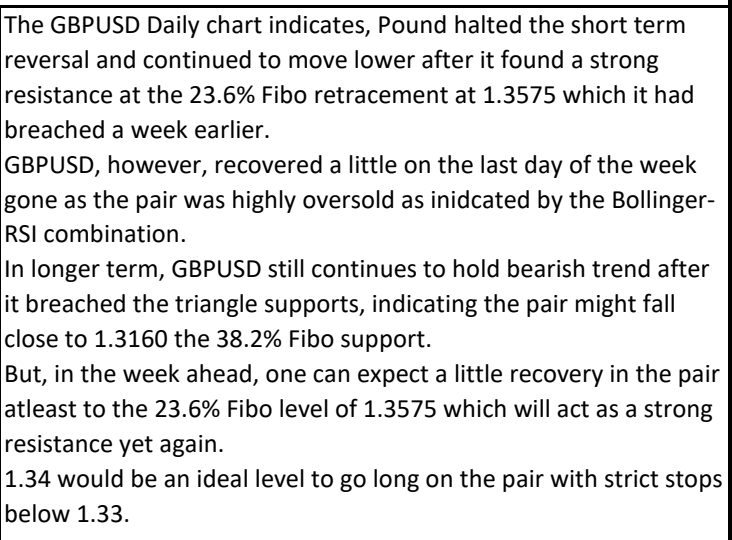
Hence, for the upcoming week we suggest going short on a bounce in the pair with strict stops above 1.1580.

1.17 will still act as a strong resistance.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Sell 1.1550 SL 1.1580 TGT 1.1400				Sell 85.80/86.00 SL 86.50 TGT 84.80				1.1400-1.1550   84.80-86.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		82.24	83.31	84.39	84.77	85.46	85.84	86.53	87.60	88.68	
Exporters Strategy	Exporters are advised to hedge 50% around 87 & maintain strict stops at 85.50 on Spot for the remaining 50% of the November exposure. Stop Triggered.										
Importers Strategy	Importers were suggested to hedge 50% around 86.50 on Spot. Maintain stops above 86.50 for pending November exposure targetting 84.80.										

## British Pound Outlook

With the rising geopolitical risks emanating from the borders of Belarus, traders will have to be attentive to headline risks. For the Pound, there is a plethora of key data releases next week and much like the US, the focus will be on the latest inflation report. Now while we do have labour market data, this is likely to be somewhat less impactful on the Pound, given that this data does not cover the initial effect of furlough expiration. Another theme that is developing is the tensions between the UK and EU over the Northern Ireland protocol. Now while the latest talks have been slightly more encouraging, the red line remains regarding the oversight of the European Court of Justice, which the UK has said is a red line.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 1.34 SL 1.33 TGT 1.3550/80				Buy 99.60/40 SL 99 TGT 100.40				1.3380-1.3600   99.40-100.40		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		95.90	97.24	98.58	99.13	99.92	100.47	101.27	102.61	103.95	
Exporters Strategy	Exporters are suggested to hedge their November exposure partially (50%) around 102.50 Pending to be held open with Stops below 101.30.										
Importers Strategy	Importers are suggested to target levels near 101 to hedge their November exposure partially. Pending exposure to be held open with stop above 103.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
15.11.2021	07:30 AM	CNY	Retail Sales y/y	3.8%	4.4%
	07:00 PM	USD	Empire State Manufacturing Index	20.4	19.8
16.11.2021	07:00 PM	USD	Core Retail Sales m/m	1.0%	0.8%
		USD	Retail Sales m/m	1.2%	0.7%
	07:45 PM	USD	Industrial Production m/m	0.9%	-1.3%
	10:30 PM	USD	FOMC Member Barkin Speaks		
17.11.2021	12:30 PM	GBP	CPI y/y	3.8%	3.1%
	07:40 PM	USD	FOMC Member Williams Speaks		
	09:00 PM	USD	Crude Oil Inventories		1.0M
	11:10 PM	USD	FOMC Member Waller Speaks		
18.11.2021	02:35 AM	USD	FOMC Member Evans Speaks		
	07:00 PM	USD	Philly Fed Manufacturing Index	22.3	23.8
		USD	Unemployment Claims	260K	267K
	08:00 PM	USD	FOMC Member Williams Speaks		
19.11.2021	12:30 AM	USD	FOMC Member Evans Speaks		
	12:30 PM	GBP	Retail Sales m/m	0.5%	-0.2%
	01:30 PM	EUR	ECB President Lagarde Speaks		
	09:15 PM	USD	FOMC Member Waller Speaks		
	10:45 PM	USD	FOMC Member Clarida Speaks		
20.11.2021	Tentative	USD	Treasury Currency Report		

**Report prepared by:**

**Siddhesh Ghare**

**Head- FX Risk Business**

**PhillipCapital (India) Pvt. Ltd.**

**sghare@phillipcapital.in**

**+91 99634 87722**

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