

# Currencies Weekly Report

Week of 28.02.2022

## Global Economic Review & Outlook

Russia invaded Ukraine last week and Western countries responded with fresh sanctions. The escalation of the conflict in Ukraine hits all asset classes and causes global risk aversion. Flight to safety is the order of the day. Equities are being sold off. Government bonds are in high demand. And dollar-strength is dominating the FX markets. High energy prices will be a concern, adding uncertainty to how central banks will proceed with monetary tightening.

There is nothing like war that makes the future unpredictable. The latest escalation of the conflict in Ukraine makes a quick solution of the conflict very difficult. This conflict is likely to be of longer duration and it could easily escalate even further. The war hits the financial markets at a time when stress prevails because major central banks are preparing to withdraw the ample liquidity injected during the corona crisis. Going forward, general uncertainty and higher energy prices will be a drag on growth. While markets focus on Russia and Ukraine – and US data remaining strong – one should keep a close watch on the economic direction. Leading indicators point to slower cyclical growth in the US. GDP growth in the euro area will likely be somewhat lower than forecast. If there is a need for tighter sanctions, one can expect all sovereign debt to be sanctioned, tighter energy sanctions and even SWIFT sanctions.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	13694.62	13548.07	1.08
DOW JONES	34058.55	34079.12	-0.06
NIKKEI	26476.50	27122.07	-2.38
HANGSENG	22767.18	24327.71	-6.41
CAC	6752.43	6929.63	-2.56
DAX	14567.23	15042.51	-3.16
FTSE	7489.46	7513.62	-0.32
FX	Last Close	Previous Week	% CHANGE
DX	96.61	96.04	0.59
EURUSD	1.1272	1.1322	-0.44
GBPUSD	1.3411	1.3586	-1.29
USDJPY	115.52	115.00	0.45

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.4797	74.8804	74.6224	75.2578	75.2842
EURINR	84.6636	84.6298	84.5253	84.6414	84.3785
GBPINR	101.4463	101.7904	101.4531	101.6347	101.0299
JPYINR	64.78	65.26	64.86	65.69	65.32

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.5300	75.1150	75.8400	76.6100	77.3400
Tuesday	74.8950	75.5200	76.2900	77.0750	77.8400
Wednesday	74.5650	75.1800	75.9100	76.6875	77.4400
Thursday	75.8950	76.4900	77.2350	78.0150	78.7550
Friday	75.4925	76.0825	76.8225	77.5975	78.3325

## Dollar Outlook

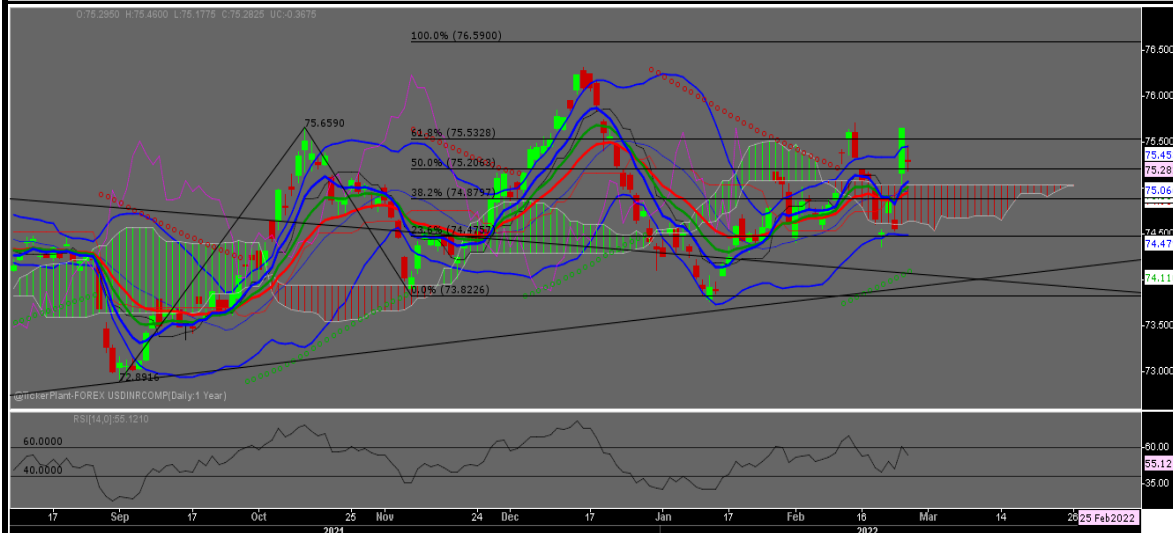
The Dollar Index climbed to a fresh yearly high (97.74) as heightening Russia-Ukraine tensions appear to be spurring a flight to safety, and fresh data prints coming out of the US may keep the Greenback afloat.

The DXY has broken out of a narrow range as the threat of war in Europe drags on investor confidence, and swings in risk appetite may continue to sway the Dollar as the US and its allies implement additional sanctions on Russia.

Also, the update to US Non-Farm Payrolls may influence the near-term outlook for the Dollar as the economy is anticipated to add 450K jobs in February, and another uptick in employment may generate a bullish reaction in Dollar as the development puts pressure on the Fed to normalize monetary policy sooner.

The DXY may resume the bullish trend as the FOMC prepares to switch gears, and it remains to be seen if the central bank will adjust its exit strategy as Chairman Powell and Co. are slated to release the updated Summary of Economic Projections at the next interest rate decision on March 16.

Until then, other data prints coming out of the US and a further deterioration in risk appetite may support the Dollar.



The USDINR Daily chart indicates the pair last week found a strong support at 74.30 odd levels and rose sharply to level as high as 75.65 on geopolitical concerns.

However, technically the pair failed to close above the 75.50 Fibo price extension and now brings in fears about sustenance at such high levels above 75.

Although the prices have been able to manage trading above the 8 13-20 EMAs which also have given a bullish crossover, there is no clarity on further move in the pair as indicated by very flat ichimoku cloud patterns and the rangeish RSI.

Last Friday, the pair was seen taking an Upper Bollinger band resistance and slipped to settle just above 75.20 (50% Fib extension). Next week, we expect further correction till 74.30. In long term, USDINR can revisit 76, but the pair will remain highly

In Long-term, USD/INR can revisit 76, but the pair will remain highly volatile in short term, swinging between 74.30 & 75.80.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 75.50/80 SL 76.40 TGT 74.30								74.30-75.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		71.20	72.50	73.80	74.54	75.10	75.84	76.39	77.69	78.99	
Exporters Strategy	Exporters are suggested to hedge their March exposure partially (50%) around 75.60 Spot. Pending to be held open with Stop below 74.50.										
Importers Strategy	Importers were suggested to hedge March payables (50%) around 74.60. Pending to be held open with a strict Stop above 75.80 Spot.										

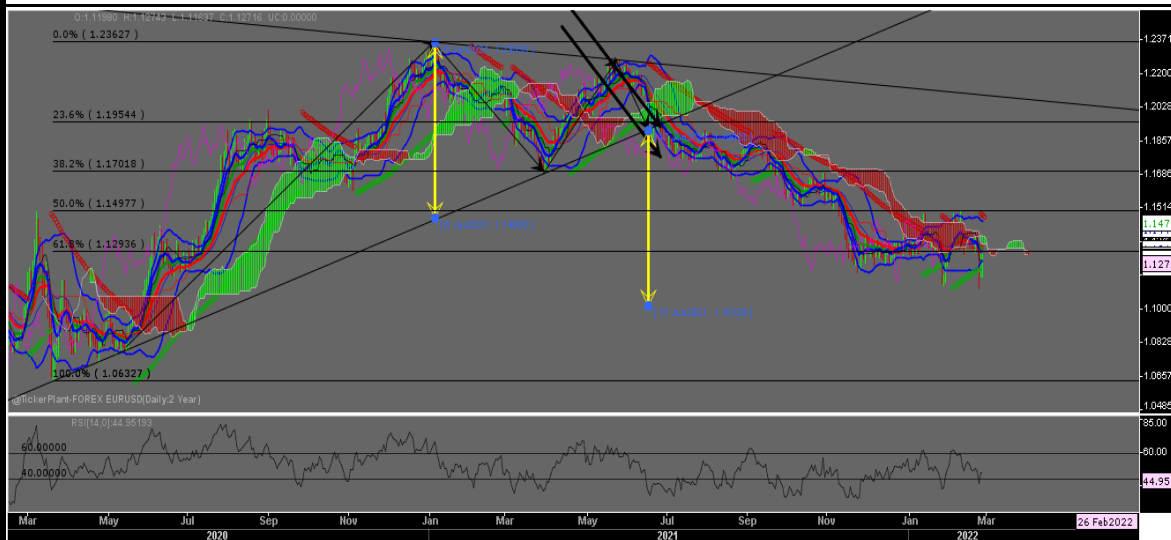
## Euro Outlook

Prices across global markets eased to end the week as markets come to grips with the war. The dollar was bid – outshining traditional safe haven currencies like the Yen and Swiss Franc.

The Euro was no exception coming under pressure and reaching lows last seen in June 2020.

These moves are largely predictable in a situation like this but with concerning comments from certain ECB officials, the short-term outlook for the Euro looks bleak. Friday's comments from the ECB's Lane revealed fears around the negative impact of the war on 2022 Euro zone GDP – estimated to be around 0.3% - 0.4%. Declining economic growth coupled with higher inflation brings in the stagflation narrative and could weigh negatively on the Euro.

Geography has added to the mix with the Euro zone more exposed to the conflict than the U.S. but what some may be overlooking is Europe's reliance on Russia and Ukraine for commodities from oil to agriculture; giving the dollar more dominance and more scope to push the Euro lower.



The EURUSD Daily chart indicates a double bottom formation, last month, close to 1.11 and immediate sharp reversals in the price. The reversals have not been large in magnitude and the pair has faced strong resistance at 1.15 (50% Fibo retracement and an interim resistance near 1.13 (61.8% Fibo retracement. An upward breach of 1.13 in the week ahead can take the pair close to 1.15 yet again.

The Bollinger-RSI combination supports an upside move in the pair, while the Ichimoku cloud formations suggest the pair will be rangebound with more number of swings in the currency taking the prices swaying in both directions.

For the next week, we like to go long on the pair for targets of 1.14 at-least.

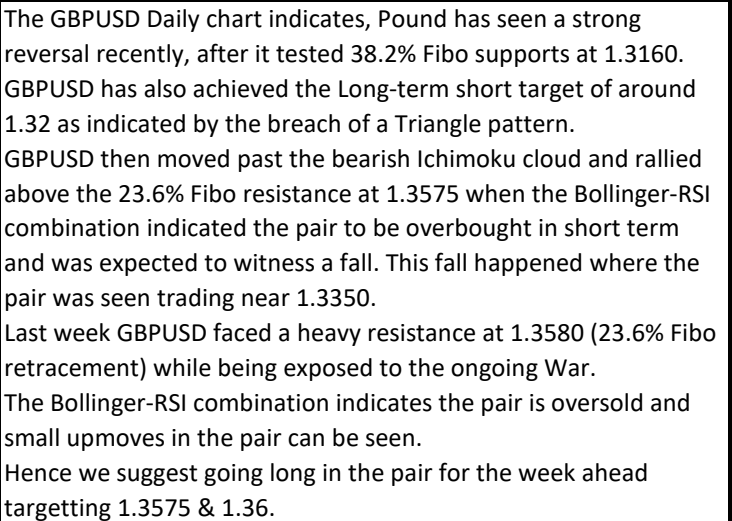
1.15 now happens to be a deciding level for EURUSD to reverse its bearish trend in near medium term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Buy 1.1220/50 SL 1.1120 TGT 1.1400				Buy 83.60/90 SL 82.80 TGT 84.60-85.10				1.1220-1.1400   83.50-85.10		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		82.01	82.80	83.58	83.86	84.37	84.65	85.16	85.95	86.73	
Exporters Strategy	Exporters are advised to hedge 50% of the March exposure around 85 Spot. Further pending exposure to be held open with Stop below 82.80.										
Importers Strategy	Importers are advised to hedge 50% of March payables around 83.50 on Spot. Pending to be held open with Stop above 85.50.										

## British Pound Outlook

In addition, Russian parliamentarians who voted to recognize the breakaway regions of Donetsk and Lugansk as independent territories would also be sanctioned. In the coming weeks, British firms would be prevented from doing business in Donetsk and Lugansk.

UK consumers expressed concern over energy and food price rises, increased taxation and rising interest rates, putting pressure on disposable income and the potential for greater levels of indebtedness. UK PM Johnson has announced measures to try soften the burden on the consumer but has failed to rule out increases in social welfare contributions as it is necessary to pay for health care.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 1.3370/3400 SL 1.3270 TGT 1.3600				Buy 100.30/80 SL 99.80 TGT 101.50-102.20				1.3500-1.3660   100.30-102.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.51	98.70	99.88	100.29	101.07	101.48	102.25	103.44	104.62	
Exporters Strategy	Exporters are advised to hedge their March exposure partially (50%) around 102.20. Pending to held open with Stop below 100 Spot.										
Importers Strategy	Importers are advised to hedge partially (50%) near 100.80 for March exposure. Pending to held open with Stop above 102.50 Spot.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
28.02.2022	08:15 PM	USD	Chicago PMI	62.1	65.2
01.03.2022	<b>08:30 PM</b>	<b>USD</b>	<b>ISM Manufacturing PMI</b>	<b>58.0</b>	<b>57.6</b>
02.03.2022	12:00 AM	GBP	MPC Member Saunders Speaks		
	01:30 PM	EUR	Spanish Unemployment Change	-44.5K	17.2K
	03:30 PM	EUR	CPI Flash Estimate y/y	5.4%	5.1%
		EUR	Core CPI Flash Estimate y/y	2.5%	2.3%
	<b>All Day</b>	<b>All</b>	<b>OPEC-JMMC Meetings</b>		
	<b>06:45 PM</b>	<b>USD</b>	<b>ADP Non-Farm Employment Change</b>	<b>378K</b>	<b>-301K</b>
	08:00 PM	USD	FOMC Member Bullard Speaks		
	<b>08:30 PM</b>	<b>USD</b>	<b>Fed Chair Powell Testifies</b>		
	09:00 PM	USD	Crude Oil Inventories		4.5M
03.03.2022	07:00 PM	USD	Unemployment Claims	226K	232K
	<b>08:30 PM</b>	<b>USD</b>	<b>Fed Chair Powell Testifies</b>		
		<b>USD</b>	<b>ISM Services PMI</b>	<b>60.9</b>	<b>59.9</b>
04.03.2022	07:00 PM	USD	Average Hourly Earnings m/m	0.5%	0.7%
		<b>USD</b>	<b>Non-Farm Payrolls</b>	<b>450K</b>	<b>467K</b>
		USD	Unemployment Rate	3.9%	4.0%

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