

# Currencies Weekly Report

Week of 06.09.2021



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September 6, 2021

## Global Economic Review & Outlook

There were plenty of reasons to worry during the course of last week. The Evergrande debacle continued with broader question marks surrounding the Chinese property market. The Delta strain is still messing things up in zero-tolerance Asia, delaying deliveries and threatening to create a global slowdown. Fatalities in the US have not decoupled from the increase in new cases in any material way, which could lead to voluntary lockdown behaviour. Turmoil in Afghanistan continued, and President Biden's approval rating slumped.

On the data front, Chinese PMIs dropped markedly, as an effect of Covid-19 and the weak credit impulse. German retail sales slumped 5.1% m/m in July. US consumer confidence included expectations falling back clearly below the pre-Covid level. ADP indicated poor non-farm payrolls. Yields so far have managed to climb this wall of worries and equity markets are up.

Could it be that markets are tentatively signalling that a growth deceleration with lower PMIs won't be the end of the world? That growth rates will still remain above potential in 2022? That slight setbacks on the Covid-19 front won't derail the medium-term outlook? That US employment will soar when the expanded unemployment benefits expire? That central banks will still find the economies strong enough to gradually move closer to the exit? That real rates have become way too low in a scenario where the economic expansion cools down but continues?

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	15363.50	15129.50	1.55
DOW JONES	35369.35	35454.81	-0.24
NIKKEI	29128.11	27641.14	5.38
HANGSENG	25901.99	25407.89	1.94
CAC	6689.99	6681.92	0.12
DAX	15781.20	15851.75	-0.45
FTSE	7138.35	7148.01	-0.14
FX	Last Close	Previous Week	% CHANGE
DXV	92.12	92.68	-0.60
EURUSD	1.1878	1.1796	0.70
GBPUSD	1.3857	1.3754	0.75
USDJPY	109.69	109.84	-0.13

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	73.5007	73.1536	72.9589	72.9771	73.0651
EURINR	86.7347	86.5324	86.0682	86.4195	86.7911
GBPINR	101.2085	100.9510	100.3448	100.5756	101.0929
JPYINR	66.96	66.60	66.18	66.36	66.40

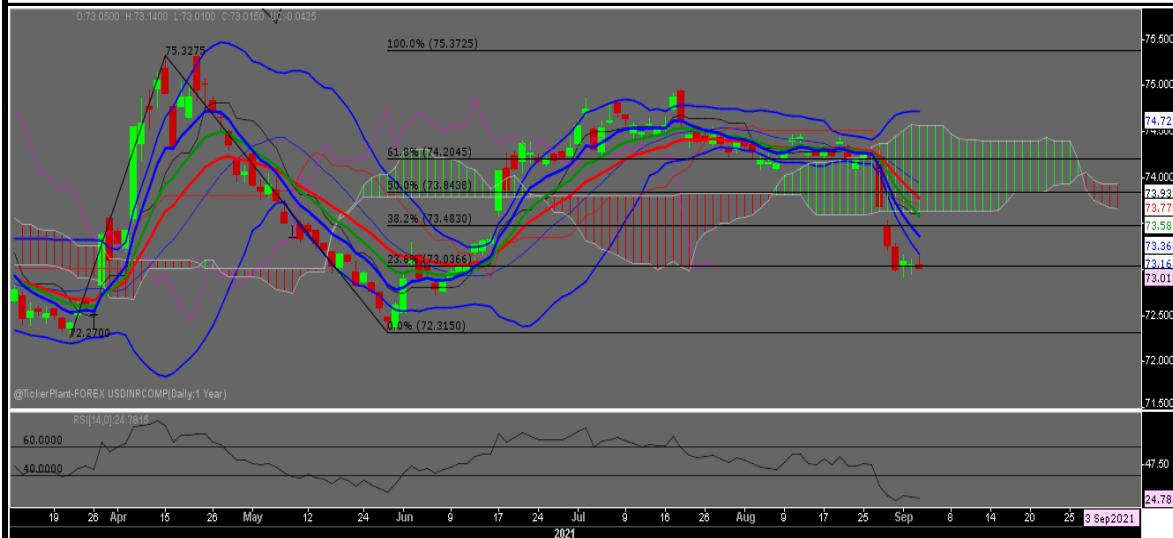
	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	73.4500	73.8800	74.6050	75.5200	76.3600
Tuesday	73.1825	73.6275	74.3475	75.2725	76.1075
Wednesday	73.2600	73.7050	74.4400	75.3750	76.2150
Thursday	73.2000	73.6650	74.4000	75.3400	76.1850
Friday	73.1475	73.5900	74.3250	75.2800	76.1200

## Dollar Outlook

The US Dollar weakened after Friday's non-farm payrolls report largely missed expectations. The DXY slipped to its lowest since July. The nation added just 235k jobs versus 733k anticipated as the unemployment rate declined to 5.2% from 5.4% - as anticipated. Average hourly earnings did surprise higher though at 4.3% y/y.

This report likely cooled expectations that the Fed could begin tapering monetary policy this month. This follows dovish commentary from Chair Powell on the labor market. Moreover, further soft employment readings could delay eventual rate hikes in the long run. This is perhaps why the 10-year Treasury yield gained after the jobs report.

The focus for the Greenback now turns to external economic event risk as the domestic calendar is light. Dallas Fed President Kaplan will be speaking later this week. Traders will likely watch what he has to say about the labor market and what that could mean for policy going forward.



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.

The pair now appears to be oversold with Bollinger-RSI indicating USDINR should now start an upward move after finding strong psychological support around 73.

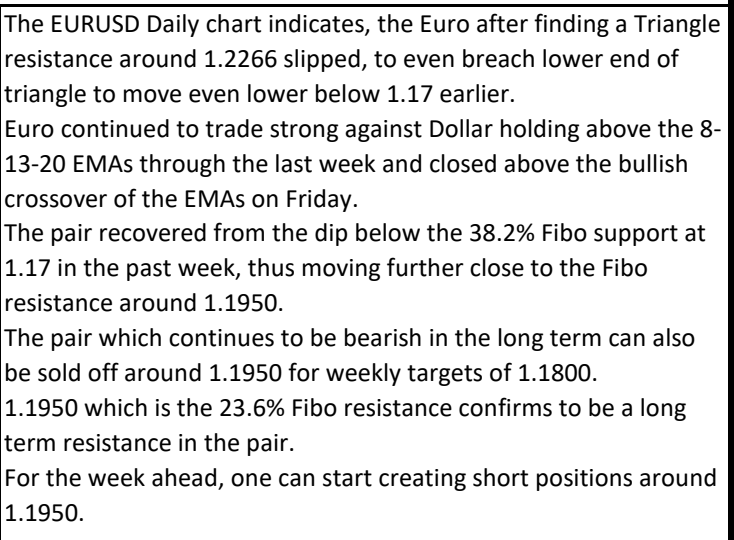
The Fibonacci price extension shows the price has fallen to the 23.06% Fibo retracement at 73 and if it manages to hold around these levels this week, an upward reversal can be seen towards 73.50 and 73.85 in the next few sessions.

Further, this week, one can initiate long positions in the pair with Stops around 72.75 for targets of 73.40 & 73.80. However, it is suggested to build light positions in long unless a reversal is visible at least till 73.20.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 73.00 SL 72.75 TGT 73.40-73.70								72.90 - 73.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		71.32	71.93	72.54	72.78	73.15	73.39	73.77	74.38	74.99	
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

There were many hawks on the newswires among whom were ECB Vice-President Guingos, Bundesbank President Weidmann and fellow Council members Robert Holzmann and Klaas Knot. They are all worried by a rebound in the EZ economy coupled with a sharp rise in inflation to 3%, well above the ECB's target. The doves led by Christine Lagarde shall mostly maintain their majority on the Council, insisting that the overshoot of the inflation target will be temporary and that there should be no indication of a future tightening of policy just yet. She could also note in passing that data last week showed a surprisingly large fall in the final August reading of the Eurozone services PMI and an unexpected drop in German retail sales y-o-y in July. That would be bearish for EURUSD.



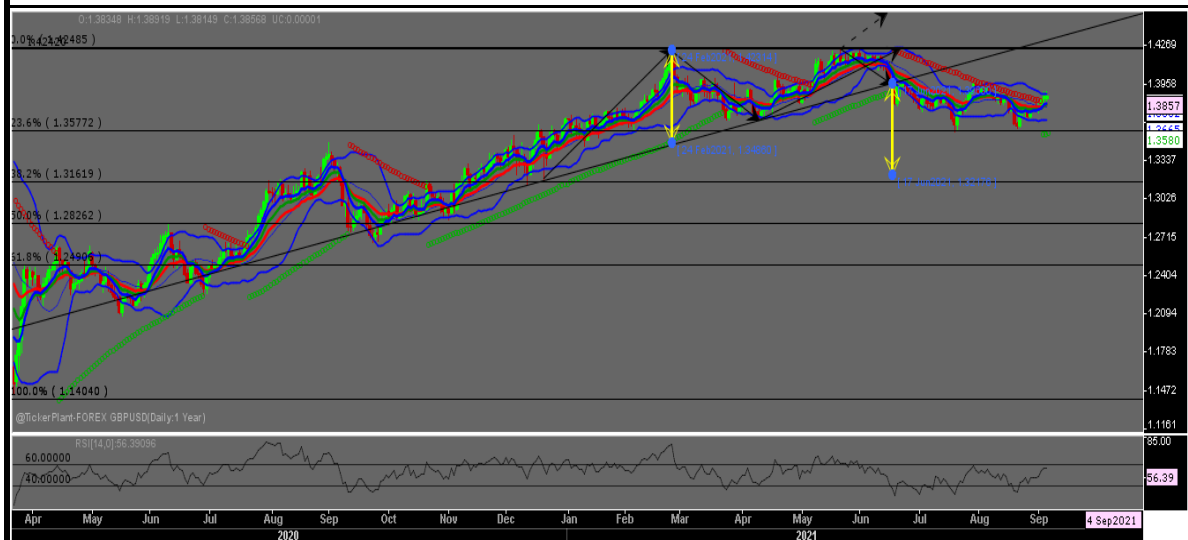
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.1950 SL 1.1985 TGT 1.1860				Sell 87.00 SL 87.40 TGT 86.50-86.20				1.1850-1.1950   86.00-87.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		83.91	84.78	85.65	86.16	86.52	87.03	87.39	88.26	89.13	
Exporters Strategy	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

The US jobs report (NFP) gave GBPUSD a boost at the weekend with the headline number missing expectations by a large margin.

The economic calendar as a whole is thin apart from three central bank meetings – RBA, BoC and, ECB – leaving these Sterling crosses vulnerable ahead of and after these rate decisions.

The British Pound may come under pressure if reports about a hike in UK National Insurance contributions are true. Media reports that a rise in NI may affect 25 million people with a mooted 1% hike raising GBP10 billion to fund social care plans. The Daily Telegraph reports that Health Secretary Sajid David wants a 2% increase, putting him at odds with both the PM and taxpayer. If these reports are correct, then PM Johnson will be breaking one of the Conservative election manifesto pledges of not raising income tax, VAT, or National Insurance. This may be another test of the PM's popularity which has been deteriorating.



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 recovered from around those levels the last week to rise back to levels above the bullish EMA crossover. The pair now finds a strong resistance around 1.3930 holding which it may fall back to 1.3780 in near term. 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 1.3930 in the pair.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.3930 SL 1.3980 TGT 1.3850				Sell 101.50 SL 102.00 TGT 100.80-100.60				1.3850-1.3950   100.60-101.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.47	98.57	99.68	100.32	100.78	101.42	101.89	102.99	104.10	
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 last week.										
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 101.50.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
07.09.2021	01:00 PM	GBP	MPC Member Saunders Speaks	0.5%	-1.9%
	02:30 PM	EUR	ZEW Economic Sentiment	35.3	42.7
		EUR	German ZEW Economic Sentiment	30.2	40.4
08.09.2021	07:30 PM	USD	JOLTS Job Openings	10.05M	10.07M
	08:30 PM	GBP	Monetary Policy Report Hearings		
	10:31 PM	USD	10-y Bond Auction		1.34   2.6
	10:40 PM	USD	FOMC Member Williams Speaks		
09.09.2021	05:15 PM	EUR	Monetary Policy Statement		
		EUR	Main Refinancing Rate		0.00%
	06:00 PM	EUR	ECB Press Conference		
		USD	Unemployment Claims		340K
	08:30 PM	USD	Crude Oil Inventories		-7.2M
	10:31 PM	USD	30-y Bond Auction		2.04   2.2
10.09.2021	06:00 PM	USD	PPI m/m	0.6%	1.0%
		USD	Core PPI m/m	0.5%	1.0%

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