

Currencies Weekly Report

Week of 03.04.2023

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Global Economic Review & Outlook

Volatility persists across asset classes and notable market swings are expected to be seen going forward. We are still unclear where the central bank rates will end, what will it take to bring inflation back to target, what will the costs be to the economy.

Despite this volatile market environment, the Fed might hike rates twice more and the ECB three further times, both above what the markets are currently pricing in. This leaves bond yields and interest rate expectations room to rise from current levels.

The Eurozone headline inflation dropped sharply in March, while core inflation continued to rise driven by higher service price inflation, which will keep the ECB worried about the stickiness of inflation.

Markets are currently split between a 25-bp hike and none from the RBI this week. Slightly punchier inflation at the start of the year may swing it in favor of one final hike in the cycle although recent turmoil in the US and European banks could lead the RBI the other way. Either way, the end is near for rate hikes in India.

In the week ahead, markets will focus, yet again, on the upcoming data releases, where, the US Non-farm payrolls data for March will be the highlight alongwith the PMIs due for release not only in the US but also in the Eurozone and UK.

A shortened week in the Eurozone and UK due to Good Friday holiday and an even shorter week in India due to Mahavir Jayanti holiday might result into gaps in exchange rates.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	12221.91	11823.96	3.37
DOW JONES	33273.10	32238.15	3.21
NIKKEI	28041.48	27385.25	2.40
HANGSENG	20400.11	19915.68	2.43
CAC	7322.39	7015.10	4.38
DAX	15628.84	14957.23	4.49
FTSE	7631.74	7405.45	3.06
FX	Last Close	Previous Week	% CHANGE
DX	102.59	103.12	-0.51
EURUSD	1.0840	1.0760	0.75
GBPUSD	1.2333	1.2230	0.84
USDJPY	132.77	130.72	1.58

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.3558	82.2068	82.3603	--	82.2169
EURINR	88.5786	88.8968	89.1709	--	89.6076
GBPINR	100.6761	101.2536	101.4306	--	101.8728
JPYINR	62.76	62.85	62.45	--	61.80

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.3725	82.7050	83.1825	83.6950	84.2100
Tuesday	82.3400	82.6375	83.1175	83.6400	84.1475
Wednesday	82.4525	82.7525	83.235	83.7475	84.2575
Thursday	--	--	--	--	--
Friday	82.2700	82.5775	83.0700	83.5900	84.1000

Dollar Outlook

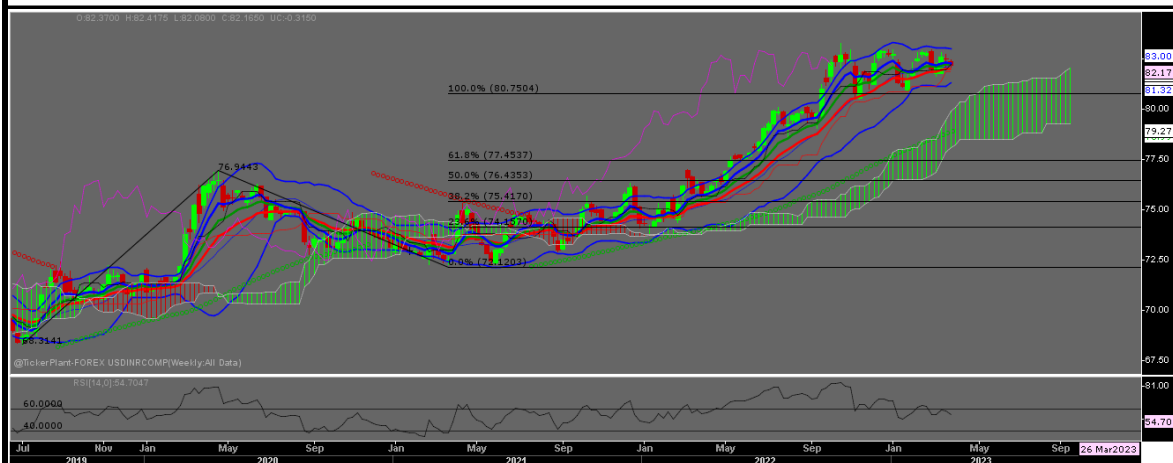
The US jobs report is always the most important economic report, although inflation probably currently just about edges it. The March report is expected to show a slower pace of job growth, albeit still strong at 238,000, and wages growing at a decent rate. That may not be enough to stop the Fed from tightening another 25-bp in May, although that's something markets can't currently make their minds up on.

ISM manufacturing surveys on Monday will also be eyed, alongside JOLTS job openings on Tuesday, ISM services on Wednesday, and jobless claims on Thursday.

The Wall Street's performance during the first quarter of 2023 saw an internal divergence. The tech-heavy Nasdaq 100 pulled ahead while the blue-chip-oriented Dow Jones underperformed. The Nasdaq/Dow ratio surged, touching the highest point since August.

The collapse of Silicon Valley Bank in early March overshadowed what was the growing theme of a rebound in US economic activity.

In March, the Federal Reserve proceeded with tightening. Interest rates were raised by 25-bp, bringing the target range to 4.75% - 5.00%. Powell in his press conference showed that policymakers did not see the case for interest rate cuts this year. That put the central bank on a divergent path from markets.



The USDINR Weekly chart indicates the pair has been tested around 83 several times since it made a lifetime high of 83.23 in the Mid of October 22.

Last week was no different where USDINR ranged between 82.08 and 82.42 on Spot.

The week ahead might see an increased volatility and swings as USDINR trades just around the mid of Bollinger bands trying to find a clear direction.

The pair is stuck near the 8-13-20 Weekly EMAs which have converged, while trading above the densely bullish Ichimoku cloud and predominantly above the 100% Fibo retracement of 80.75, but since it is holding below 83 one can go short this week around 82.30 with strict stop above 82.60 for a target of 81.90 and 81.60.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 83.00 SL 83.40 TGT 82.10-81.80 / Buy 82.15 SL 81.80 TGT 82.75-83.00								81.80-83.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		81.21	81.55	81.88	82.02	82.22	82.36	82.56	82.90	83.23	
Exporters Strategy	Exporters are advised to hedge 50% of their April exposure around 82.30 Spot. Pending to be held open with Stop below 81.50.										
Importers Strategy	Importers are advised to hold their April exposure open/unhedged with Strict Stop above 82.60 Spot. Target rate to start hedging partially is 81.80 on Spot.										

British Pound Outlook

The first quarter of 2023 has not delivered any major domestic policy moves or economic shocks to drive the Pound decisively.

Interest rates have followed their expected path higher – currently at 4.25%, the highest level since 2008 – while PM Rishi Sunak and Chancellor Jeremy Hunt continue to steer a steady course and have so far avoided the pitfalls of the previous regime.

The relationship between the UK and the EU is also looking healthier with UK MPs backing Sunak's new Northern Ireland deal, overriding Boris Johnson's contentious Brexit accord agreed upon in 2019.

Inflation in the UK however remains in double-digits – currently 10.4% - a level that in normal circumstances would continue to require ongoing tightening of monetary policy by the central bank. However, according to the latest Bank of England Monetary Policy Report, inflation ‘is expected to fall significantly in Q2 2023’ due to the extension of the Energy Price Guarantee (EPG) announced in the recent budget and the fall in wholesale energy prices.

With price pressures expected to ease sharply, the BoE may not hike rates aggressively. The next BoE meeting is in mid-May allowing Governor enough time to look at fresh inflation, growth, and jobs data. The latest probabilities show one 25bp rate hike expected in Q2 before the central bank hits the pause button.



The GBPUSD Weekly chart indicates the pair witnessed an upmove from the 1.2220 levels to 1.2423 and settled at 1.2333 last week.

The pair, last week managed to hold above the 8-13-20 Weekly EMAs that had converged and due to the upmove in GBPUSD, did not give a bearish crossover.

The pair has moved out of a very thin bearish Ichimoku cloud and also managed to move past the Upper Bollinger Band along with the RSI that has again moved up. However, it failed to close above the band, thus bringing in the possibilities of a correction in the week ahead after a continued rally for the past 3 weeks.

1.2450 has been tested earlier too, from where the pair had dropped down to 1.18 in the recent past.

The same can be seen happening yet again.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.2430 SL 1.2530 TGT 1.2230-1.2150				Sell 102.00 SL 102.70 TGT 100.80				1.2150-1.2430 100.80-102.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.41	98.73	100.06	100.83	101.38	102.16	102.71	104.03	105.36	
Exporters Strategy	Exporters are advised to hedge their April exposure (50%) between around 102 Spot. Total exposure to be held open with Stop below 100.80 Spot.										
Importers Strategy	Importers are advised to hold their April exposure open targetting 101 on Spot. Total exposure to be held open with Stop above 102.80 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
03.04.2023	05:20 AM	JPY	Tankan Large Manufacturers Index (Q1)	3	7
		JPY	Tankan Large Non-Manufacturers Index (Q1)	20	19
	07:15 AM	CNY	Caixin Manufacturing PMI (Mar)	51.7	51.6
	01:25 PM	EUR	German Manufacturing PMI (Mar)	44.4	44.4
	02:00 PM	GBP	Manufacturing PMI (Mar)	48.0	48.0
	07:30 PM	USD	ISM Manufacturing PMI (Mar)	47.5	47.7
04.04.2023	07:30 PM	USD	JOLTs Job Openings (Feb)	10.400M	10.824M
05.04.2023	02:00 PM	GBP	Composite PMI (Mar)	52.2	52.2
		GBP	Services PMI (Mar)	52.8	52.8
	05:45 PM	USD	ADP Nonfarm Employment Change (Mar)	205K	242K
	07:30 PM	USD	ISM Non-Manufacturing PMI (Mar)	54.5	55.1
	08:00 PM	USD	Crude Oil Inventories	0.092M	-7.489M
06.04.2023	07:15 AM	CNY	Caixin Manufacturing PMI (Mar)	51.7	51.6
	10:00 AM	INR	Interest Rate Decision	6.75%	6.50%
	02:00 PM	GBP	Construction PMI (Mar)		54.6
	06:00 PM	USD	Initial Jobless Claims	200K	198K
07.04.2023	06:00 PM	USD	Nonfarm Payrolls (Mar)	238K	311K
		USD	Unemployment Rate (Mar)	3.6%	3.6%

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