# **Currencies Weekly Report**

Week of 27.03.2023



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# **Global Economic Review & Outlook**

The Federal Reserve interest rate decision and economic projections saw a notable shift in the dot plot as with officials expected to stop raising rates after one more hike in May. Fed Chair Powell however ruled out rate cuts in 2023.

With banking sector stress, markets consider fewer rate hikes will be necessary. But if banking stress recedes, more rate hikes may be needed to tame the inflation.

Authorities around the world are on high alert for the fallout from recent turmoil at banks following the collapse in the US of Silicon Valley Bank and Signature Bank and the rescue takeover a week ago of Credit Suisse. The fallout from SVB, Signature Bank, and Credit Suisse has opened the door to downside risks. More than anything, this has altered market expectations of monetary policy from the Fed and ECB.

The BoE has hiked rates by 25-bps as expected. Policymakers warned that if there were evidence of more persistent price pressures, further tightening would be required.

Eurozone PMIs showed services sector was robust, but manufacturing continued to struggle.

Commodities market suffered as the critical liquidity and market-making functions that banks provide the raw materials trade were hampered. India fin-min has asked state-run banks to assess various financial health parameters amid turbulence across the global banking sector.

		RBI Reference Rate											
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY								
USDINR	82.5030	82.6799		82.1590	82.2378								
EURINR	88.0109	88.5237		89.6262	89.0624								
GBPINR	100.4672	101.2812		101.2725	100.9836								
JPYINR	62.73	62.89		62.87	63.13								

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11823.96	11630.51	1.66
DOW JONES	32238.15	31858.89	1.19
NIKKEI	27385.25	27333.79	0.19
HANGSENG	19915.68	19518.59	2.03
CAC	7015.10	6925.40	1.30
DAX	14957.23	14768.20	1.28
FTSE	7405.45	7335.40	0.95
FX	Last Close	Previous Week	% CHANGE
DXY	103.12	103.71	-0.57
EURUSD	1.0760	1.0664	0.90
GBPUSD	1.2230	1.2175	0.45
USDJPY	130.72	131.81	-0.83

	USDINR Forward Rates (Month End)											
	1 Month	3 Month	6 Month	9 Month	12 Month							
Monday	82.6625	83.0375	83.5225	84.0350	84.5450							
Tuesday	82.6750	83.0425	83.5125	84.0175	84.5150							
Wednesday												
Thursday	82.2750	82.6275	83.1025	83.6050	84.1075							
Friday	82.4875	82.8225	83.3000	83.8125	84.3300							

# **Dollar Outlook**

Last Wednesday, the Federal Reserve raised interest rates by 25-bps, in line with expectations, but signaled that its hiking cycle may be coming to an end in response to nervousness over U.S. banks in the wake of the rapid and unexpected failure of two mid-sized regional lenders.

The turmoil in the banking sector that triggered tremors on Wall Street earlier this month is likely to lead to a credit crunch for households and businesses in the coming months, creating a meaningful disinflationary process. This will ease pressure on the central bank, limiting the need for overly restrictive policy. While the Fed indicated no policy easing in 2023, its actions suggest that financial stability will be prioritized over the inflation battle, which is a slower-moving problem. It would just be a matter of time before the Fed shifts focus to financial stability and moves to a full-fledged dovish stance.

Given that the Fed is seen reversing course soon and stands ready to act if necessary to contain systemic risks, the Dollar is likely to remain on a depreciatory path. However, uncertainty remains high, but sentiment should stabilize soon.

It's important to remember that the Fed is mandated to fight inflation and that, while pricing power remains strong, further rate hikes will remain on the cards whatever markets might wish. Sooner or later, Dollar will regain its strength.



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 82.05 and 82.70 on Spot.

The week ahead will see similar volatility with even large swings as USDINR is holding just above the mid of Bollinger bands trying to test the Upper band, but provides no guarantee that it will do so. The pair is comfortably trading above the 8-13-20 Weekly EMAs, the densely bullish Ichimoku cloud and predominently above the 100% Fibo retracement of 80.75, but since it is holding below 83 one can either go short with strict stop at 83.40 or go long near 82.40 with stop below 82.05.

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		<b>S4</b>	<b>S3</b>	<b>S2</b>	<b>S1</b>	Pivot	R1	R2	R3	R4	
		80.55	81.18	81.80	82.14	82.42	82.76	83.04	83.67	84.29	
Exporters Strategy	Exporters were advised to hedge 50% of their March exposure between 82.80-83.00 Spot.  Pending to be held open with Stop below 82.00. Stop Triggered.										
Importers Strategy	In	Importers were advised to hold their March exposure open/unhedged with Strict Stop above 83.30 or 83.50 Spot.  Partial (50%) hedging was advised between 81.60-81.90 Spot, targetting 81.25 for the pending 50%.									

### **Euro Outlook**

German banking giant Deutsche Bank is the latest financial company to come under heavy selling pressure as banking fears return to the Eurozone. If this situation persists, it remains to be seen if ECB President Lagarde opens the central bank's toolbox that she repeatedly mentioned last week to provide the necessary liquidity if needed.

the ECB presented a strong message to the market during the ECB rate decision where, despite the forced sale of Credit Suisse, the banking system remains resilient and the Governing Council remains open to further hikes. The ECB is still behind the curve both in the level of interest rates and in terms of seeing stronger signs of disinflation throughout the euro zone.

Multiple ECB officials have expressed concern that current, low expectations of the policy rate diverge from ECB thinking — which suggests more upside potential for the euro.

Next week's Euro Area calendar has a handful of high-importance data releases with the first look at German inflation on March 30th and Euro Area flash inflation on March 31st.



The EURUSD Weekly chart indicates that the pair, had been rangebound earlier, with no clarity on the direction further.

The 8-13-20 Weekly EMAs had converged and the Bollinger bands too had contracted, as the pair moved out of the bearish Ichimoku cloud in the North, thus giving rise to uncertainty on the move in the week ahead.

EURUSD could not make it above the Upper Bollinger last week and lost most of its weekly gains on Friday to drop down close to where it started the last week.

In the week ahead, the pair is expected to witness swings both ways Up & Down and we suggest to trade in thin volumes with small targets and strict stops.

One can go long on the pair above 1.0780 for a target of 1.09 with

Weekly Bias	Weekly Trading Strategy (SPOT)									Weekly Range		
Sideways	Buy Abo	ve 1.0780 SI	1.0680 TG	T 1.0900	Buy Above 88.80 SL 88.00 TGT 89.60				1.0730-1.0900   88.10-89.60			
Pivot Levels		<b>S4</b>	<b>S3</b>	<b>S2</b>	<b>S1</b>	Pivot	R1	R2	R3	R4		
		82.71	84.72	86.72	87.63	88.72	89.63	90.72	92.73	94.73		
Exporters Strategy	Exporters were advised to hold their March exposure open/unhedged with Strict Stop below 87.00 Spot.  Target 88.50 to hedge 50%. Stop Triggered.											
Importers Strategy		Importers were advised to hedge 50% of their March payables at 87.50 & 25% at 87.00 Spot.  Pending to be held open with Stop above 88.50 on Spot targetting 86.20. Target almost achieved at 86.27.										

### **British Pound Outlook**

Over the past week, a series of high impact economic data and events weighed on the British Pound. While the BoE announced a 25-bp rate hike, the recent UK inflation print hindered further progression. With Core CPI coming in at 6.2%, the annual inflation rate rose to 10.4%, both came in hotter than expected, the double-digit print poses a major threat for GBP.

The BoE stated that Q2 CPI is likely to be lower than forecast in February due to longer energy price caps and lower wholesale prices while expressing their belief that the recent increase in inflation data may not be long-lasting.

The BoE stated that further monetary policy tightening would be necessary if there were signs of more persistent price pressures.

For the UK, a slight uptick in retail sales and manufacturing PMI provided a positive lift to sentiment. The next big data print will be the GDP growth rate which will be released on Friday, March 31st.

While fundamentals remain the prominent driver of price action, fears of further contagion in the banking sector has kept policymakers on high alert. With Deutsche Bank and UBS facing additional pressure on their stocks this week, recession fears remain heightened.



The GBPUSD Weekly chart indicates the pair witnessed an upmove from the 1.2175 levels to 1.2344 and settled at 1.2230 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. A negative crossover in the EMAs would have confirmed a downward move in GBPUSD. The pair has moved out of a very thin bearish Ichimoku cloud but is still stuck in between the narrowed Bollinger Bands alongwith the RSI that has again moved up. This brings uncertainty in the direction of GBPUSD over the next week.

In such times, it is advisable to keep trading thin and betting on both sides. To start with, we recommend going short on the pair at 1.2330 for initial targets of 1.2150.

Weekly Bias	Weekly Trading Strategy (SPOT)									Weekly Range		
Sideways-Bearish	Sell 1.2330 SL 1.2430 TGT 1.2150				Sell 101-101.30 SL 102.00 TGT 100.20-99.70				1.2150-1.2330   99.70-101.30			
Pivot Levels		<b>S4</b>	<b>S3</b>	<b>S2</b>	<b>S1</b>	Pivot	R1	R2	R3	R4		
		97.43	98.58	99.72	100.22	100.87	101.36	102.01	103.16	104.30		
Exporters Strategy	Exporters were advised to hedge their March exposure (50%) between 100.30-100.50 Spot.  Total exposure to be held open with Stop below 98.50 Spot. Stop Triggered.											
Importers Strategy		Importers were advised to hedge partially (50%) at 99.50 & 25% at 99.00 Spot for March.  Pending to be held open with Stop above 100.50 Spot, targetting 97.50 Spot. Target achieved.										

# **Economic Data for the Week**

Date	Time	Currency	Data	Forecast	Previous
27.03.2023	01:30 PM	EUR	German Ifo Business Climate Index (Mar)	91.0	91.1
	10:30 PM	GBP	BoE Gov Bailey Speaks		
28.03.2023	02:15 PM	GBP	BoE Gov Bailey Speaks		
	07:30 PM	USD	CB Consumer Confidence (Mar)	101.0	102.9
29.03.2023	07:30 PM	USD	Pending Home Sales (MoM) (Feb)	-3.0%	8.1%
	08:00 PM	USD	Crude Oil Inventories		1.117M
30.03.2023	Tentative	GBP	BOE Inflation Letter		
	05:30 PM	EUR	German CPI (YoY) (Mar)	7.3%	8.7%
	06:00 PM	USD	GDP (QoQ) (Q4)	2.7%	3.2%
		USD	Initial Jobless Claims	196K	191K
31.03.2023	07:00 AM	CNY	Manufacturing PMI (Mar)	50.5	52.6
	11:30 AM	GBP	GDP (QoQ) (Q4)	-0.2%	-0.2%
		GBP	GDP (YoY) (Q4)	0.4%	0.2%
	01:25 PM	EUR	German Unemployment Change (Mar)	3K	2K
	02:30 PM	EUR	CPI (YoY) (Mar)	7.2%	8.5%
	06:00 PM	USD	Core PCE Price Index (MoM) (Feb)	0.4%	0.6%

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