

Currencies Weekly Report

Week of 02.01.2023

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January 2, 2023

Global Economic Review & Outlook

The latest US jobs report will be headlining the economic agenda, while the minutes of the December FOMC meeting is expected to attract more attention than usual given the absence of Fed speakers since the event.

Flash inflation readings out of the Eurozone and Canadian employment figures will be the other highlights.

Markets are expected to slowly begin returning to normal in the first trading week of 2023 after the holiday lull. China has gradually moved away from zero-Covid policy as last week it ditched last remaining major restriction by ending the need for inbound travellers to quarantine. China is still battling a surge in infections. In the U.S., despite the Fed hiking rates by a total 425bps in 2022, the labour market sustained through the tightening cycle disheartening policymakers. Other parts of the economy, such as housing, are clearly cracking, and even consumer spending softened in November. European markets will be getting into full swing with a fairly busy calendar this week. The flash inflation estimates for December at the end of the week will be important.

In the UK an environment with higher interest rates has been weighing down housing prices due to lesser demand from the public. Fears of a recession in the UK will likely limit Pound upside in Q1 of 2023.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	10466.48	10497.86	-0.30
DOW JONES	33147.28	33204.26	-0.17
NIKKEI	26094.50	26235.25	-0.54
HANGSENG	19781.41	19593.06	0.96
CAC	6473.76	6504.90	-0.48
DAX	13923.59	13940.93	-0.12
FTSE	7451.74	7473.01	-0.28
FX	Last Close	Previous Week	% CHANGE
DX	103.52	104.31	-0.76
EURUSD	1.0702	1.0616	0.81
GBPUSD	1.2095	1.2050	0.37
USDJPY	131.10	132.82	-1.29

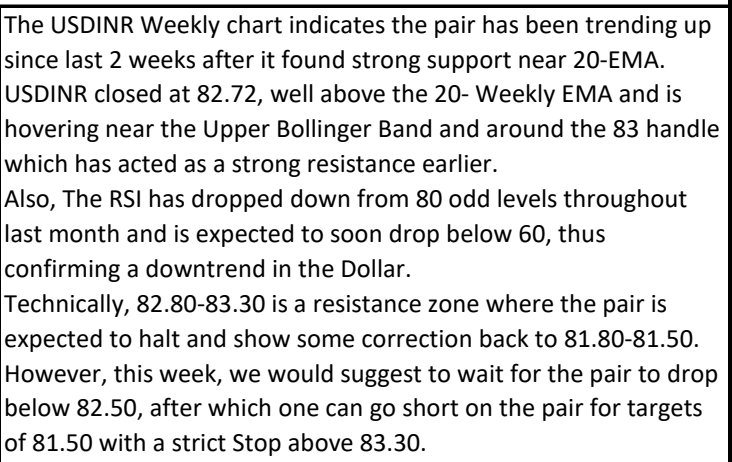
	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.7373	82.7936	82.9183	82.8346	82.7862
EURINR	87.9415	88.2276	88.2986	88.0040	88.1496
GBPINR	99.8970	100.0958	99.7679	99.7213	99.7436
JPYINR	62.39	62.33	61.90	62.00	62.45

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.6550	82.9600	83.4950	83.9075	84.3000
Tuesday	82.8500	83.1525	83.6900	84.1075	84.5075
Wednesday	82.9950	83.2900	83.7675	84.1600	84.5525
Thursday	82.9200	83.2100	83.6950	84.0875	84.4775
Friday	82.8425	83.1325	83.6125	83.9925	84.3700

Dollar Outlook

After several high profile announcements of big layoffs in recent months, the unemployment rate has ticked up only marginally to 3.7%, while nonfarm payrolls have been rising at a pace of between 250k and 300k since September. Forecasts for the payrolls change have been stuck at 200k in the last few months and it's no different for the December report.

Should Friday's NFP report beat expectations again, there could be some 'relief' for the markets from the ISM manufacturing and non-manufacturing PMIs due on Wednesday and Friday, respectively. Both are expected to print lower in December, with the former sinking deeper below 50.

[illegible]

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell Below 82.50 SL 83.30 TGT 81.80-81.50								81.50-83.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		81.86	82.16	82.46	82.59	82.76	82.89	83.06	83.36	83.66	
Exporters Strategy	Exporters are advised to hedge 50% of their January exposure between 82.50-82.80 Spot. Pending to be held open with Stop below 82.00.										
Importers Strategy	Importers are advised to hedge 50% of their January exposure around 82.00 Spot. Pending to be held open with Stop above 83.30.										

Euro Outlook

EURUSD enjoyed sharp gains with an 80-odd pip upside rally last Friday before finding resistance at the top of its recent trading range around the 1.07 handle. The ECB's Klaas Knot in his recent comments suggested that the Bank is only at the halfway point with its rate increases. The prospects of further rate hikes from the ECB are surely going to be Euro supportive leading to a further sustained upside above 1.07 in weeks ahead.

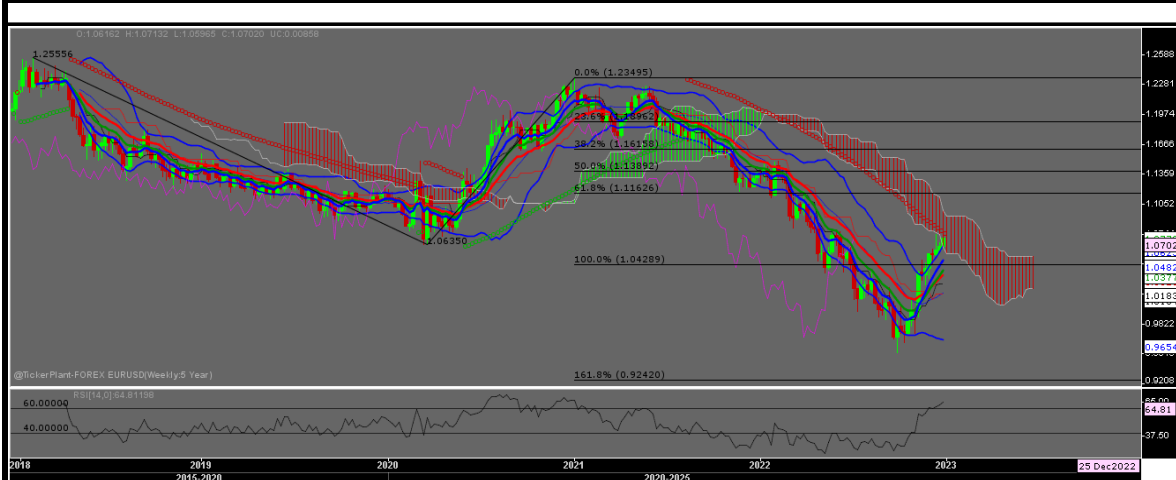
European markets will be getting into full swing with a fairly busy calendar this week.

The flash inflation estimates for December at the end of the week will be the focal point, but traders might be drawn to some of the other releases as well.

The final PMI readings for manufacturing are out today and the services PMIs will follow on Tuesday.

Euro area producer prices are due on Thursday and on Friday, November retail sales and the December economic sentiment indicator should help shed additional light on the health of the Eurozone economy.

The Eurozone CPI is expected to moderate on an annual basis, easing from 10.1% to 9.7% in December. If confirmed, this would raise hopes that inflation in the euro area has peaked.



The EURUSD Weekly chart indicates the pair held on to its recent recovery and further add to gains last week, where it held itself above the Upper Bollinger band to close the week penetrating into the bearish Ichimoku Cloud, just close to the bearish Parabolic SAR.

This confirms a reversal and continuation of the Upward trend in the pair for targets as high as 1.09 in the near term.

The 8-13-20 Weekly EMAs too have given a bullish crossover. The RSI too has moved up just above 60.

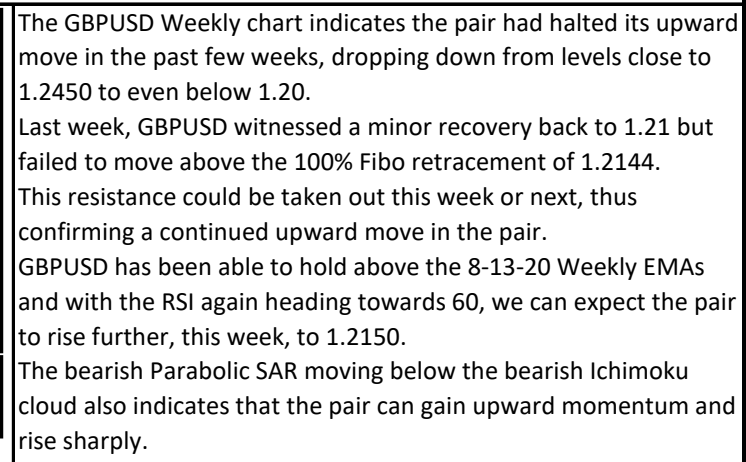
Technically, EURUSD seems to have gained an upward momentum and is heading further North.

Traders are advised to go long on the pair on dips close to 1.0650 for targets as high as 1.09 this month.

Weekly Trading Strategy (SPOT)											
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 1.0670 SL 1.0620 TGT 1.0750				Buy 88.20-88.00 SL 87.50 TGT 88.70-88.95				1.0670-1.0750 88.00-89.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		86.04	86.78	87.51	87.99	88.24	88.72	88.97	89.71	90.44	
Exporters Strategy	Exporters were advised to hedge 30% of their January exposure around 89.00 Spot. Pending to be held open with Stop below 87.										
Importers Strategy	Importers are advised to hedge 50% of their January payables around 88.00. Pending to be held open with Stop above 89.50 on Spot.										

British Pound Outlook

The Pound has been oscillating in a 100-pip range, following the market sentiment, which has been unstable and remains the main driver.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.2050-1.2080 SL 1.2020 TGT 1.2150				Buy 99.80 SL 99.40 TGT 100.60				1.2050-1.2150 99.70-100.70		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.24	98.10	98.96	99.37	99.82	100.23	100.68	101.54	102.40	
Exporters Strategy	Exporters are advised to hedge their January exposure partially (30%) around 100.50 Spot.										
Importers Strategy	Importers are advised to hedge partially (50%) near 99.70 Spot for January.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
02.01.2023	07:15 AM	CNY	Caixin Manufacturing PMI (Dec)	48.9	49.4
	02:25 PM	EUR	German Manufacturing PMI (Dec)	47.4	47.4
03.01.2023	07:15 AM	CNY	Caixin Manufacturing PMI (Dec)	48.8	49.4
	02:25 PM	EUR	German Unemployment Change (Dec)	15K	17K
	03:00 PM	GBP	Manufacturing PMI (Dec)	44.7	44.7
04.01.2023	06:30 PM	EUR	German CPI (YoY) (Dec)	8.8%	10.0%
	08:30 PM	USD	ISM Manufacturing PMI (Dec)	48.5	49.0
		USD	JOLTs Job Openings (Nov)	10.000M	10.334M
05.01.2023	12:30 AM	USD	FOMC Meeting Minutes		
	03:00 PM	GBP	Composite PMI (Dec)	49.0	49.0
		GBP	Services PMI (Dec)	50.0	50.0
	06:45 PM	USD	ADP Nonfarm Employment Change (Dec)	145K	127K
	07:00 PM	USD	Initial Jobless Claims	230K	225K
	09:30 PM	USD	Crude Oil Inventories	-1.520M	0.718M
06.01.2023	03:00 PM	GBP	Construction PMI (Dec)		50.4
	03:30 PM	EUR	CPI (YoY) (Dec)	9.7%	10.1%
	07:00 PM	USD	Nonfarm Payrolls (Dec)	200K	263K
		USD	Unemployment Rate (Dec)	3.7%	3.7%
	08:30 PM	USD	ISM Non-Manufacturing PMI (Dec)	55.0	56.5

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