

Currencies Weekly Report

Week of 21.02.2022

Global Economic Review & Outlook

Financial markets have been following the Russia-Ukraine crisis closely, and the recent developments indicate that tensions might not have peaked yet.

Limited escalation is still likely, but spillover to broader risk sentiment should stay limited.

Geopolitics have stolen the spotlight and created worries for investors and people around the world. The Russia-Ukraine crisis is still ongoing and unfortunately we are far from certain that geopolitical risks have peaked.

Judging by the recent market moves, the Russia-Ukraine tensions have been one of the drivers behind general risk sentiment, and also oil prices have been sensitive to headlines from the Ukraine.

Going forward, it is less expected that the current crisis could be the key driver of the risk sentiment.

It's much more likely that central banks and the inflation outlook will dominate the narrative in the financial markets.

If current geopolitical situation escalates, implications for Euro-area interest rates are complicated. Risk sentiment would deteriorate and safe haven demand will suppress short term bond yields. Inflation has been above the ECB's target since July 2021 and wage pressures are rising.

Minutes from the Jan. Fed meeting released last Wednesday, but policymakers' comments did not contain major surprises. We expect a 25bp hike in March and balance sheet reduction to start around June 2022, but risks are tilted towards more aggressive tightening.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	13548.07	13791.15	-1.76
DOW JONES	34079.12	34737.47	-1.90
NIKKEI	27122.07	27696.08	-2.07
HANGSENG	24327.71	24906.66	-2.32
CAC	6929.63	7011.60	-1.17
DAX	15042.51	15425.12	-2.48
FTSE	7513.62	7661.02	-1.92
FX	Last Close	Previous Week	% CHANGE
DX	96.04	96.05	-0.01
EURUSD	1.1322	1.1346	-0.21
GBPUSD	1.3586	1.3560	0.20
USDJPY	115.00	115.45	-0.39

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	75.5533	75.6611	75.0815	75.0866	74.9223
EURINR	85.7263	85.6201	85.2776	85.2568	101.9653
GBPINR	102.3067	102.3760	101.7565	101.9516	85.1627
JPYINR	65.47	65.60	64.92	65.17	65.04

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	75.6700	76.2250	76.9150	77.6150	78.3150
Tuesday	75.3900	75.9600	76.6600	77.3850	78.1000
Wednesday	75.1325	75.7175	76.4425	77.1925	77.9125
Thursday	75.1350	75.7250	76.4500	77.2050	77.9200
Friday	74.6950	75.2850	76.0100	76.7750	77.4950

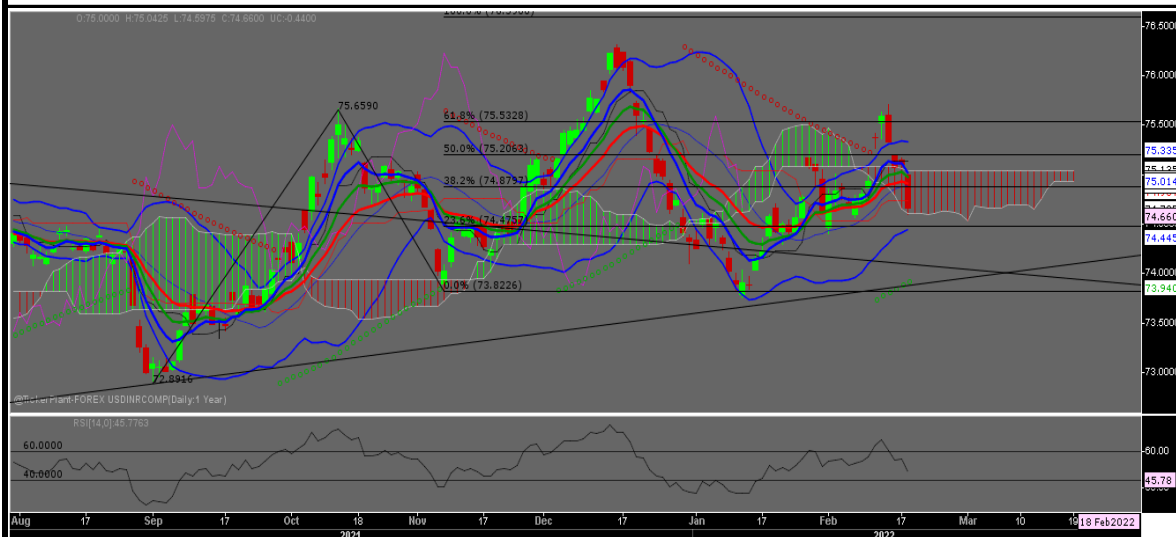
Dollar Outlook

Increasingly higher inflation numbers have fuelled consumer pessimism through higher living costs and diminishing purchase power. On a positive note, last week's strong retail sales numbers partly verified the hope that the economic impact of the latest Omicron wave will be temporary in the US. Retail sales rebounded 3.8% m/m after a revised 2.5% drop in December. The sharply reversed trend in Covid-19 infections is likely to support private consumption and confidence.

A meeting between the US and Russia will be taking place this week. Outside geopolitics, the week ahead on the data front is dominated by consumer confidence which was on a decline in January due to weaker future expectations after three months of gains.

PMI numbers, the Quarterly GDP data and weekly unemployment numbers will be watched by Dollar traders closely.

Traders may also be reluctant to take large directional positions ahead of Monday's U.S. holiday, when lower liquidity could amplify volatility unexpectedly should negative headlines hit the wires.



The USDINR Daily chart indicates the pair earlier tested the bottom of the Fibo Price extension plotted at 73.80 which happens to be a very strong multiple support level.

USDINR last week dropped sharply to breach the Fibo 38.2% level at 74.85 and also managed to settle below the same. 74.50 happens to be the next Fibo support.

This week, the Dollar continues to be in a strong downward momentum as indicated by the Bollinger-RSI combination, and hence suggest going short in the pair with strict stops placed above 75.60 for targets of 74.30.

The downward momentum comes to an end as the Dollar restricts itself from breaching 74.05 in the downside.

In Long-term, USDINR 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 75.00/20 SL 75.60 TGT 74.30								74.30-75.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		71.65	72.76	73.88	74.27	74.99	75.38	76.10	77.21	78.33	
Exporters Strategy	Exporters were suggested to hedge their February exposure partially (30%) around 75.30 and 30% at 75.70 Spot. Pending to be held open with Stop at 75.10 which has been triggered.										
Importers Strategy	Importers were suggested to hedge February payables 50% around 74.80. Pending were held open with a strict Stop above 75.40 Spot which has triggered last week.										

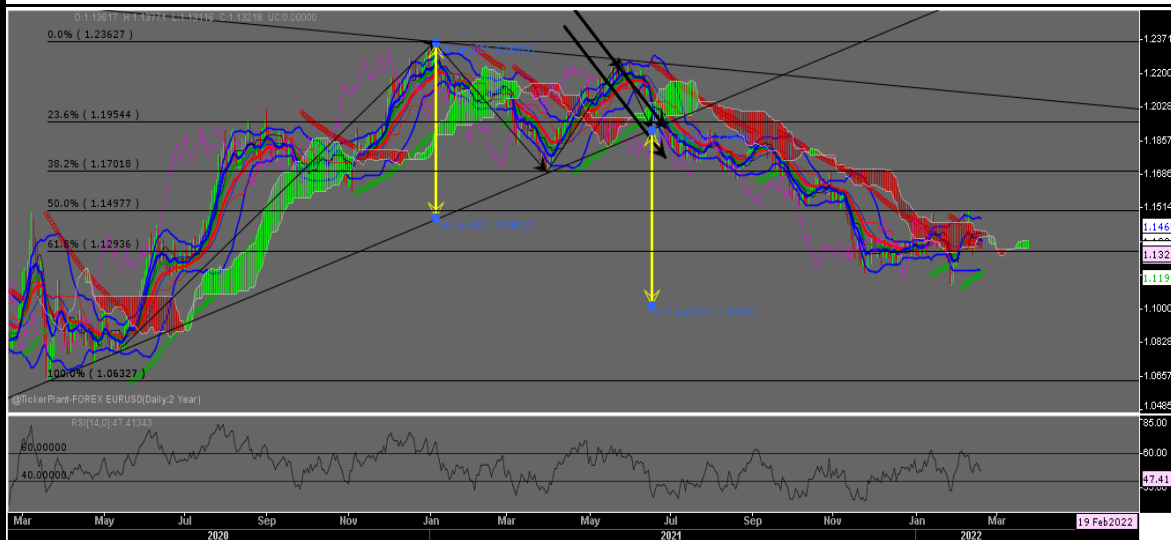
Euro Outlook

EURUSD has been subdued in recent days, weighed down by rising geopolitical tensions and market turbulence across the globe. During times of uncertainty, investors flock to Dollar safety, avoiding high beta currencies.

Sentiment is unlikely to change materially this week as friction between Russia and the West continues to intensify. Investors fear that Moscow may stage a false flag operation and authorize the invasion of Ukraine, a scenario that could spark risk aversion and temporarily boost safe-haven demand.

Although recent developments in the Eurozone, such as the ECB's hawkish pivot, have created a more supportive backdrop for the euro, the tense situation in Eastern Europe may limit bullish bets in favor of the Euro in near term.

In any case, it is important to note that if war breaks out in the region, EURUSD could drop considerably, but weakness should be temporary, as the crisis may drive up energy prices, strengthening the case for faster monetary tightening.



The EURUSD Daily chart indicates, the Euro, towards the end last week slipped below 1.13 but settled at 1.1320 below the 8-13-20 EMAs which are about to give a bearish crossover.

The pair faced heavy resistance at the 50% Fibo level of 1.15 and also around the Upper Bollinger band.

If the pair fails to move above the 8-13-20 EMAs a fresh downward move could emerge and the pair could slip below 1.1250 yet again.

As mentioned in our earlier reports where we expected EURUSD to recover atleast till 1.15 has happened and a further upward move seems to be unlikely immediately.

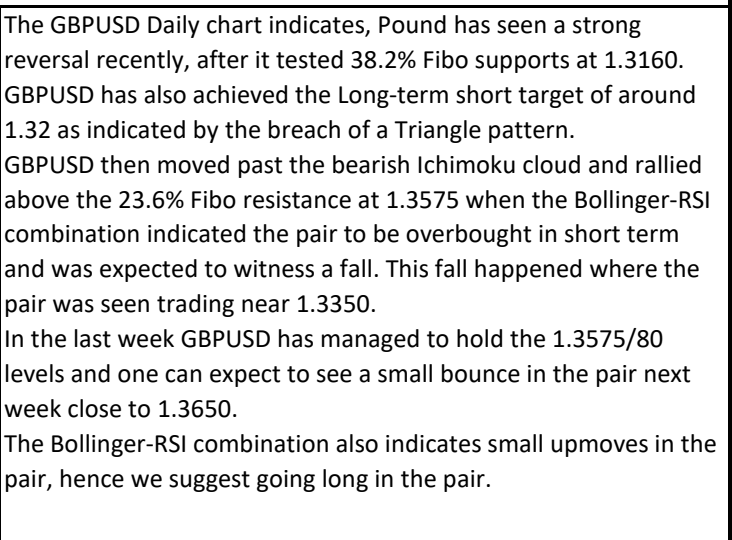
1.15 now happens to be a deciding level for EURUSD to reverse its bearish trend in near medium term.

For the week ahead, one should go short around 1.1350 for targets of 1.1270 with stops placed above 1.1390.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.1330/60 SL 1.1390 TGT 1.1270				Sell 85.20/40 SL 85.80 TGT 84.20				1.1250-1.1360 84.00-85.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		82.29	83.24	84.20	84.53	85.15	85.48	86.10	87.05	88.01	
Exporters Strategy	Exporters were advised to hedge 50% around 84.30. Further pending February exposure to be hedged around 85.80 Spot which has been achieved.										
Importers Strategy	Importers were advised to hedge 50% of February payables around 83.50 on Spot. Pending was held open with Stop above 84.40 which has been triggered.										

British Pound Outlook

A fading bearish run on the dollar could provide some resistance to pound strength with Fed speakers following the hawkish narrative. Geopolitical tensions are still the main market influencer driving global markets ebbing and flowing from risk on to risk off almost daily. Despite this, the clash between dollar and pound fundamentals looks likely to neutralize each other but with the dollar being over extended (relative to the pound) to the short side, a reversal in the trend could see GBPUSD move lower. However, against the Rupee The Pound might perform better compared to the Dollar & the Euro.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 1.3520/30 SL 1.3480 TGT 1.3660				Sell 102.30/50 SL 102.90 TGT 101.40				1.3500-1.3660 101.00-102.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		99.20	100.12	101.04	101.38	101.96	102.30	102.88	103.80	104.72	
Exporters Strategy	Exporters were advised to hedge their February exposure partially (50%) around 101.50. Pending was to be hedged around 102.20 which has been achieved.										
Importers Strategy	Importers were advised to hedge partially (30%) near 100 for February exposure. Pending was held open with Stop above 101.50 Spot which has been triggered.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
21.02.2022	01:45 PM	EUR	French Flash Services PMI	54.0	53.1
	02:00 PM	EUR	German Flash Manufacturing PMI	59.6	59.8
		EUR	German Flash Services PMI	53.2	52.2
	03:00 PM	GBP	Flash Manufacturing PMI	57.2	57.3
		GBP	Flash Services PMI	55.6	54.1
22.02.2022	02:30 PM	EUR	German ifo Business Climate	96.8	95.7
	08:15 PM	USD	Flash Manufacturing PMI	56.2	55.5
		USD	Flash Services PMI	53.2	51.2
	08:30 PM	USD	CB Consumer Confidence	110.2	113.8
23.02.2022	03:00 PM	GBP	Monetary Policy Report Hearings		
24.02.2022	06:45 PM	GBP	BOE Gov Bailey Speaks		
	07:00 PM	USD	Prelim GDP q/q	7.1%	6.9%
		USD	Unemployment Claims	239K	248K
	09:30 PM	USD	Crude Oil Inventories		1.1M
	10:30 PM	USD	FOMC Member Mester Speaks		
25.02.2022	07:00 PM	USD	Core PCE Price Index m/m	0.5%	0.5%
		USD	Core Durable Goods Orders m/m	0.3%	0.6%
		USD	Durable Goods Orders m/m	0.6%	-0.7%
	08:30 PM	USD	Revised UoM Consumer Sentiment	61.7	61.7

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