

Currencies Weekly Report

Week of 18.04.2022

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Global Economic Review & Outlook

Markets continue to expect aggressive rate hike by central banks this year. EURUSD is around yearly lows. Sanctions on Russia don't mean the USD will lose its global role anytime soon.

The ECB reinforced its message that net bond purchases are set to end in Q3, and the first rate hike will take place some time after that. Markets now see the first hike in September but are pricing in too much in terms of ECB rate hikes.

The West has imposed sanctions on Russia, including freezing about half of Russia's FX reserves.

These sanctions have led to speculation the Dollar may lose its global status as a reserve currency and its role in global trade could decline. However, this is not expected to happen. Dollar will remain as the most important currency in the world.

Inflation surprises are still not behind us. US PPI data beat estimates and in the UK, inflation rose much more than expected. The BoE may have to continue hiking in May, although is worried about an economic slow-down due to Russian invasion of Ukraine.

In the US, the Fed has to tighten monetary policy fast, but rate hike expectations have risen in the Euro area. The market is expecting the ECB to hike by 70bp this year, which is too much at this point.

In the coming months it is still possible to see a scenario where the Fed will deliver but the ECB won't. That would be bad news for the euro.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	13351.08	13711.00	-2.63
DOW JONES	34450.84	34723.03	-0.78
NIKKEI	27093.19	26985.80	0.40
HANGSENG	21518.08	21872.01	-1.62
CAC	6589.35	6548.22	0.63
DAX	14163.85	14283.67	-0.84
FTSE	7616.38	7669.56	-0.69
FX	Last Close	Previous Week	% CHANGE
DX	100.32	99.80	0.52
EURUSD	1.0814	1.0876	-0.57
GBPUSD	1.3058	1.3035	0.17
USDJPY	126.42	124.28	1.72

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	75.9627	76.1127	76.2248	--	--
EURINR	98.6983	82.6909	82.5840	--	--
GBPINR	82.6383	99.0115	99.1466	--	--
JPYINR	60.58	60.57	60.52	--	--

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	76.0700	76.6000	77.3600	78.1100	78.8450
Tuesday	76.2100	76.7350	77.4950	78.2450	78.9800
Wednesday	76.2450	76.7750	77.5650	78.3450	79.1150
Thursday	--	--	--	--	--
Friday	--	--	--	--	--

Dollar Outlook

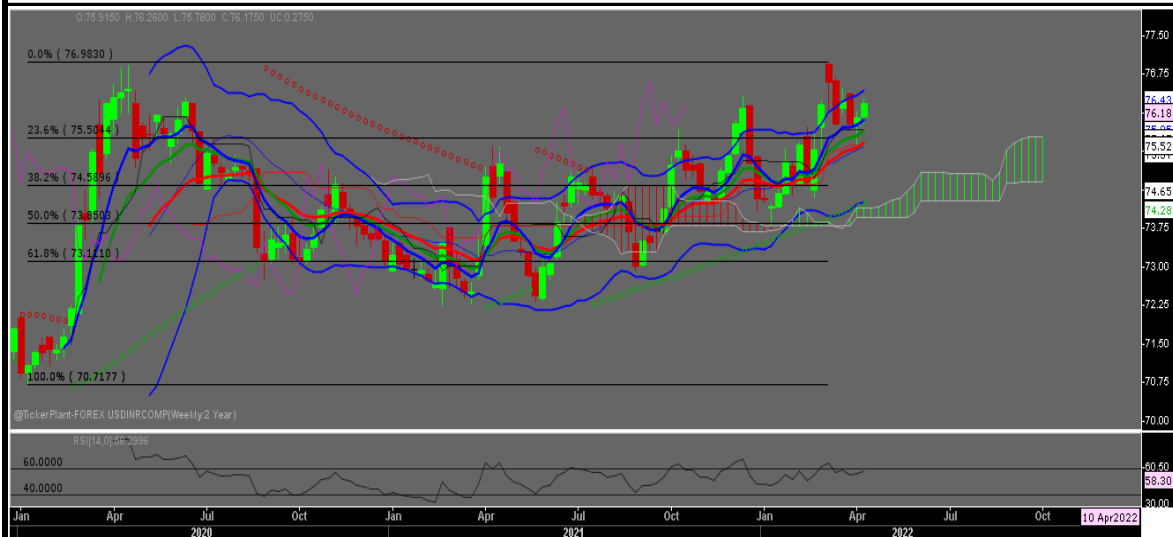
The Dollar Index trades at a fresh yearly high (100.76) as a growing number of Fed officials show a greater willingness to normalize monetary policy at a faster pace, and developments at the IMF's 2022 Spring Meeting may influence the Dollar as Powell is scheduled to speak at the event.

The DXY is ready to test the April 2020 high (100.93) as New York Fed's Williams, insists that the central bank needs to “reverse the policy actions that we put into place back in March of 2022” during an interview.

Thus, William went onto say that a 50bp rate hike is a “reasonable option”.

It seems the Fed will adjust its approach at its next meeting on May 4 as Brainard insists that the central bank could “reduce the balance sheet at a rapid pace as soon as our May meeting.” Until then, fresh remarks from Fed officials may continue to sway the Dollar.

With that said, DXY may continue to retrace the decline from the 2020 high (102.98) and advance further if Powell prepares US households and businesses for a further shift in monetary policy.



The USDINR Weekly chart shows the pair made lifetime high of 76.9825, from where it slipped to test 75.31 recently.

The pair however, has managed to recover sharply and move above the 8-EMA but closed under the Upper Bollinger band thus indicating a continuation in its upward trend.

As USDINR has been able to sustain the 23.6% Fibo support at 75.50, the same now becomes a good level to go long on the pair for targets close to upper Bollinger band at 76.35/40.(Long already suggested).

The emergence of a thin bullish ichimoku cloud, as expected, has resulted into a major threat for the Rupee where a support at 75.50 in USDINR and reversal upwards could bring in fresh bullish bias taking the pair further higher above 77 in the near term.

For the week ahead, we continue to maintain our bullish view on the Dollar with targets of 75.35 and 75.50 with minor frictions..

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 76.00-75.90 SL 75.60 TGT 76.35-76.55								75.90-76.60		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		74.63	75.11	75.59	75.88	76.07	76.36	76.55	77.03	77.51	
Exporters Strategy	Exporters are suggested to hedge their April exposure partially (50%) around 76.30. Pending to be held open with stop below 75.60 Spot.										
Importers Strategy	Importers were suggested to hedge April payables Fully around 75.50.										

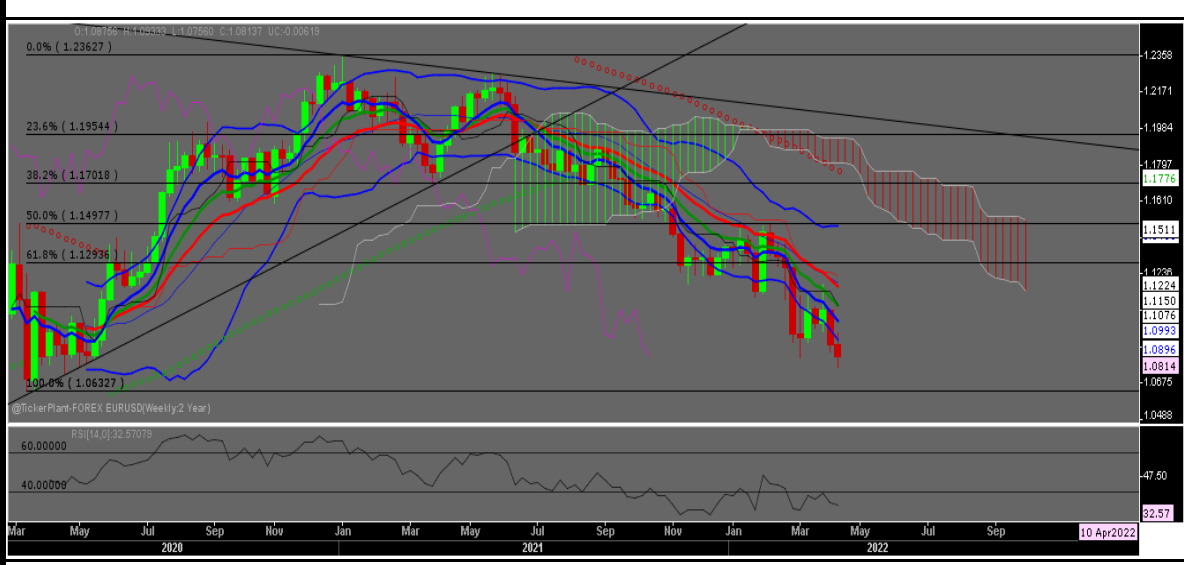
Euro Outlook

The Euro suffered steep losses in the first quarter of 2022. The currency is on pace to shed almost 3 percent against an average of its major counterparts, marking the worst three-month performance in 7 years. Taken together with losses in the second half of last year, the Euro is poised to give up nearly 4.5 percent over the course of nine months.

Losses are unsurprisingly concentrated in March of this year, due to Russia's invasion of Ukraine during the end of February. The crisis has had a direct impact on the entire Eurozone, disrupting trade flows and triggering a flood of Westward-bound refugees.

Sanctions on Russia have clearly impacted not only Russia but also Europe as it buys key commodity inputs from Russia, including energy, wood, fertiliser, iron and steel. However, de-escalation may not be far away and could result into upmoves in Euro, but there is still time for this.

Euro may struggle to sustain any such gains however, held back by an ECB that is not expected to follow its peers to hike rates aimed at soaring inflation.



The EURUSD Weekly chart indicates the pair losing 1.13 levels and further slipping to 1.08 in first half of March, has turned the pair extremely oversold.

The pair yet again, has failed to breach the 8 & 13-EMA to rise close to 20 EMA at 1.12.

The Bollinger-RSI combination continues to show the pair being oversold supported by failed attempts the pair has made, to sustain the 8-13-20 EMAs.

The bearish Ichimoku cloud formation also suggests the pair might continue trading lower unless the ECB announces a major Euro positive verdict which can bring a sharp reversal in the pair till 1.12 in the near term.

Next week, we suggest going short on the pair around 1.09.

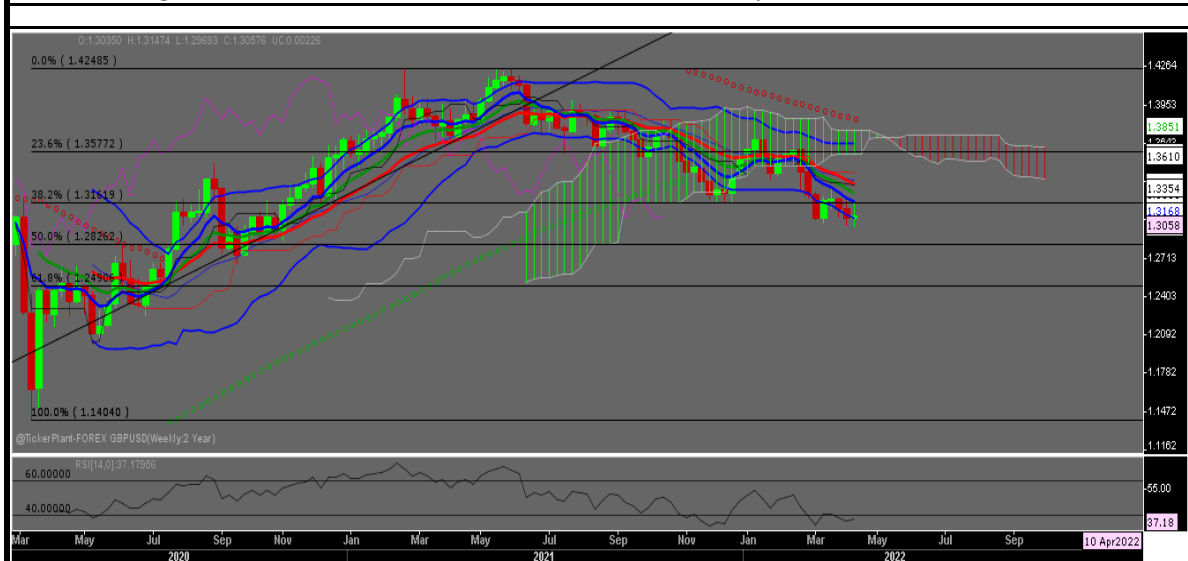
1.13 now happens to be a deciding level for EURUSD to reverse its bearish trend in near medium term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.0910 SL 1.1010 TGT 1.0750				Sell 82.80/90 SL 83.30 TGT 82.30-82.00				1.0750-1.0910 82.00-83.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.88	81.47	82.06	82.27	82.65	82.86	83.25	83.84	84.43	
Exporters Strategy	Exporters were advised to hedge 50% of the April exposure around 83.30 Spot. Further pending exposure to be held open with Stop below 82										
Importers Strategy	Importers were advised to hedge 50% of April payables around 82.50 on Spot. Pending to be held open with Stop above 84.										

British Pound Outlook

The BoE is expected to raise UK interest rates further in the second quarter of 2022 as it tries to stem soaring price pressures. The BoE has already lifted the Bank Rate to 0.75% from 0.1% in late 2021 and money markets are currently pricing in 125 basis points of additional rate hikes this year. The latest ONS inflation release showed headline inflation hitting 6.2% in Feb., a fresh 30-year high, while core inflation rose to 5.2% from 4.4% in January. And even higher levels of inflation are expected in Q2. The latest BoE monetary policy release shows that the central bank expects headline inflation to top 8% in the coming months, citing sky high energy and food prices as the main drivers of the move.

The BoE recently pushed back against these market expectations, fearing that a series of hikes may stall growth in the months ahead. UK growth is now back above pre-covid levels and looks robust, despite fears that the Ukraine crisis, and Russian sanctions, will cause further supply chain disruptions. It is this inflation vs. growth conundrum that will cause Governor Bailey and the MPC members to be flexible and resolute in trying to control inflation.



The GBPUSD Weekly chart indicates, last week the Pound traded below the 38.2% Fibo resistance at 1.3160 to close at 1.3058.

GBPUSD in March had been hovering around the 1.3160 major resistance level and failed to sustain the same in the North which resulted into a selloff in the pair recently.

However, the pair remains extremely oversold & is expected to remain so in the week ahead due to lack of fresh triggers that might push the GBP higher versus USD.

Major support in the pair now lies around 1.2820 the 50% Fibo support and 1.3160 is the next interim resistance.

The bearish Ichimoku cloud formation as expected earlier has turned out to be a threat since the beginning of the month.

For this week we suggest going short in the pair around 1.3140 with Stops above 1.32 targetting 1.30.

Weekly Bias											
Weekly Trading Strategy (SPOT)											
Weekly Range											
Bearish-Sideways	Sell 1.3140 SL 1.3200 TGT 1.3000						Sell 99.30/50 SL 100 TGT 98.70-98.40			1.3000-1.3150 98.30-99.50	
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.16	97.77	98.37	98.72	98.97	99.32	99.57	100.18	100.78	
Exporters Strategy	Exporters were advised to hedge their April exposure partially (70%) around 99.50. Pending to held open with Stop below 98.40 Spot.										
Importers Strategy	Importers were advised to hedge partially (50%) near 99 Spot for April exposure. Pending to held open with Stop above 100.50 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
18.04.2022	07:30 AM	CNY	GDP q/y	4.2%	4.0%
		CNY	Retail Sales y/y	-3.0%	6.7%
19.04.2022	01:30 AM	USD	FOMC Member Bullard Speaks		
20.04.2022	07:30 PM	USD	Existing Home Sales	5.78M	6.02M
21.04.2022	06:00 PM	USD	Philly Fed Manufacturing Index	20.6	27.4
		USD	Unemployment Claims	190K	185K
	10:00 PM	GBP	BOE Gov Bailey Speaks		
	10:30 PM	EUR	ECB President Lagarde Speaks		
		USD	Fed Chair Powell Speaks		
22.04.2022	11:30 AM	GBP	Retail Sales m/m	-0.3%	-0.3%
	12:45 PM	EUR	French Flash Services PMI	56.4	57.4
	01:00 PM	EUR	German Flash Manufacturing PMI	54.6	56.9
		EUR	German Flash Services PMI	55.4	56.1
	02:00 PM	GBP	Flash Manufacturing PMI	54.3	55.2
		GBP	Flash Services PMI	59.9	62.6
	06:30 PM	EUR	ECB President Lagarde Speaks		
	07:15 PM	USD	Flash Manufacturing PMI	58.1	58.8
		USD	Flash Services PMI	58.0	58.0
	08:00 PM	GBP	BOE Gov Bailey Speaks		

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