

Currencies Weekly Report

Week of 28.03.2022

www.phillipforex.in

March 28, 2022

Global Economic Review & Outlook

Global bond sell-off deepened and the US yield curve continued to flatten. There are early signs that consumer sentiment has deteriorated clearly since the Russian assault started, and rising inflation puts pressure on private consumption. The financial markets have continued to position for tighter monetary policy and as a result bond yields have jumped higher, especially in the US, where some changes have been almost off the charts.

The market is jittery as energy prices will push inflation even higher, war is raging in Ukraine, the Fed is expected to hike 190bp this year and a quantitative tightening will be announced most likely in May. Moves in the bond market spilled over to the FX market as well. The Yen, which usually should gain in uncertain times, suffered heavily and the BoJ is pretty much the only dove standing. Deflationary forces are strong in Japan and core inflation is still negative, although headline inflation rose to 0.9 %. Maybe this time the strong global inflation pressures could turn BoJ hawkish. In the commodity space, energy prices surged again last week. Oil prices rose to USD 117 per barrel and in Europe gas prices rose about 10%, driven by Putin's demand for Ruble payments from so-called unfriendly nations. For now, it seems the EU will not impose sanctions on Russian energy, and Russia too would not stop energy flows to Europe.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	14169.30	13893.84	1.98
DOW JONES	34861.70	34749.36	0.32
NIKKEI	28149.84	26827.43	4.93
HANGSENG	21404.88	21412.40	-0.04
CAC	6553.68	6620.24	-1.01
DAX	14305.76	14413.09	-0.74
FTSE	7483.35	7404.73	1.06
FX	Last Close	Previous Week	% CHANGE
DX	98.79	98.23	0.57
EURUSD	1.0987	1.1055	-0.62
GBPUSD	1.3188	1.3180	0.06
USDJPY	122.05	119.21	2.39

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	76.1347	76.3807	76.1872	76.3403	76.1781
EURINR	84.0796	83.8986	101.1766	83.8323	84.0067
GBPINR	100.1740	100.2792	84.0883	100.7142	100.68
JPYINR	63.84	63.45	62.91	62.84	62.54

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	76.1650	76.7500	77.4650	78.1950	78.8950
Tuesday	76.2150	76.7900	77.4950	78.2100	78.9090
Wednesday	76.3350	76.9050	77.6100	78.3300	79.0300
Thursday	76.3850	76.9750	77.6950	78.4150	79.1300
Friday	76.195	76.79	77.51	78.23	73.93

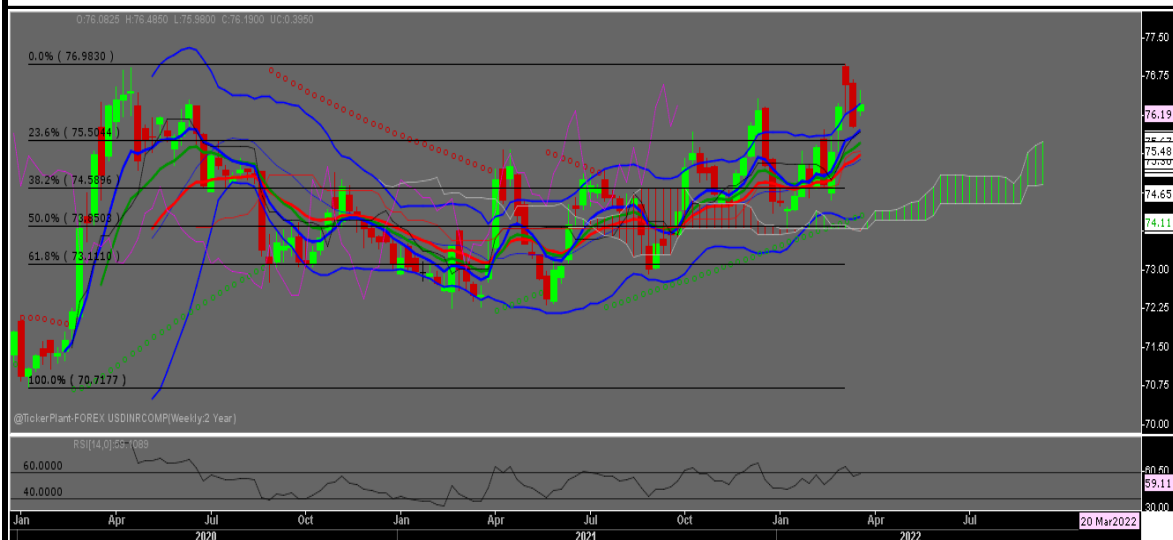
Dollar Outlook

The Dollar saw strength last week and closed higher by +0.57%, its sixth weekly gain over the past seven weeks overall. But the headline gain has a complicated story: the Dollar lost ground against most currencies last week, but maintained strength against the Euro & Yen.

Like for most of the past month, it remains the case that US economic data are not a significant factor in the US Dollar's recent success or failures. Markets are paying more attention to what the Fed policymakers are saying, insofar as they've been preparing for a 50-bps rate hike in the May meeting, more or less nullifying the impact of data releases until then.

Moreover, higher commodity prices and interbank market funding stresses resulting from Russia's invasion of Ukraine and the ensuing sanctions by the EU and the U.S. retain significant influence over market conditions.

A slew of hawkish comments over the past week, led by Fed Chair Powell himself, have dramatically escalated expectations that not only will the FOMC raises rates by 50-bps in May, but will also constitute an even more aggressive monetary tightening effort over the coming months.



The USDINR Weekly chart shows the pair recently made a new lifetime high of 76.9825, from where it slipped to test 75.80. The pair also has managed to hold above the 8-EMA but closed under the Upper Bollinger band thus indicating a short-term reversal to its upward trend.

As USDINR has been able to trade below the wider Bollinger Band along with an overbought RSI, one can expect a correction in USDINR to likely test atleast 75.50 (23.6% Fibo retracement) before it restores the upward momentum.

For the week ahead We recommend going short around 76.40 with Strict Stops above 76.75.

The slight emergence of a bullish ichimoku cloud could result into a major threat for the Rupee where a support at 75.50 and reversal upwards could bring in fresh bullish bias in USDINR taking it further higher above 77 in the near term.

The slight emergence of a bullish ichimoku cloud could result into a major threat for the Rupee where a support at 75.50 and reversal upwards could bring in fresh bullish bias in USDINR taking it further higher above 77 in the near term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 76.35-76.45 SL 76.75 TGT 75.95-75.70								75.70-76.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		74.70	75.21	75.71	75.95	76.22	76.46	76.72	77.23	77.73	
Exporters Strategy	Exporters were suggested to hedge their March exposure partially (50%) around 75.60 and 25% around 76.60. Pending to be hedged around 76.50 Spot.										
Importers Strategy	Importers were suggested to hedge March payables (50%) around 74.60. Pending to be held open with a strict Stop above 75.80 Spot, which has been triggered.										

Euro Outlook

The hawkish Fed rhetoric, and rising US T-bond yields, continue to apply downward pressure on EURUSD with the pair hovering around 1.10. Small moves higher are met with sellers, while any dip below the 1.10 sees buyers reappear to try and steady the pair. For now, when there are bigger forces at play keeping EURUSD afloat, moves lower could accelerate soon, as the yield differential between USTS and Bunds widens. The Fed is fully expected to hike rates by another 150 basis points this year and start reducing its USD9 trillion+ balance sheet, while the ECB may move rates marginally higher at the end of 2022 if their growth outlook allows. The yield differential between the 10 year UST and Bund is already +190 basis points in the Dollar's favor. The Euro Zone inflation data are released in the week ahead and are expected to show price pressures continuing to rise. With the ECB currently unable to tighten monetary policy for fear of disrupting an already weak economic pick-up, the ECB members shall try to hold the Euro higher.



The EURUSD Daily chart indicates the pair losing 1.13 levels recently and further slipping to 1.08, has turned the Euro extremely oversold against the Dollar.

The pair however, saw a recovery being able to breach the 20-DEMA & rose to close around 1.1050 recently.

The Bollinger-RSI combination continues to show the pair is extremely oversold supported by the continued bearish 8-13-20 EMAs which the prices might move above, and one can initiate fresh long positions in the pair around 1.0950.

The bearish Parabolic SAR is about to penetrate the thin bullish Ichimoku cloud and one can expect a sharp reversal in the pair till 1.12 in the near term.

Next week, we suggest going long on the pair around 1.0950. 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	Buy 1.0960/40 SL 1.0900 TGT 1.1050-1.1120				Buy 83.80/60 SL 83.30 TGT 84.50				1.0950-1.1120 83.60-85.10		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		82.13	82.72	83.32	83.59	83.91	84.18	84.50	85.09	85.69	
Exporters Strategy	Exporters are advised to hedge 50% of the March exposure around 85 Spot. Further pending exposure to be held open with Stop below 83										
Importers Strategy	Importers were advised to hedge 50% of March payables around 83.50 on Spot. Pending to be hedged around 83.50/80.										

British Pound Outlook

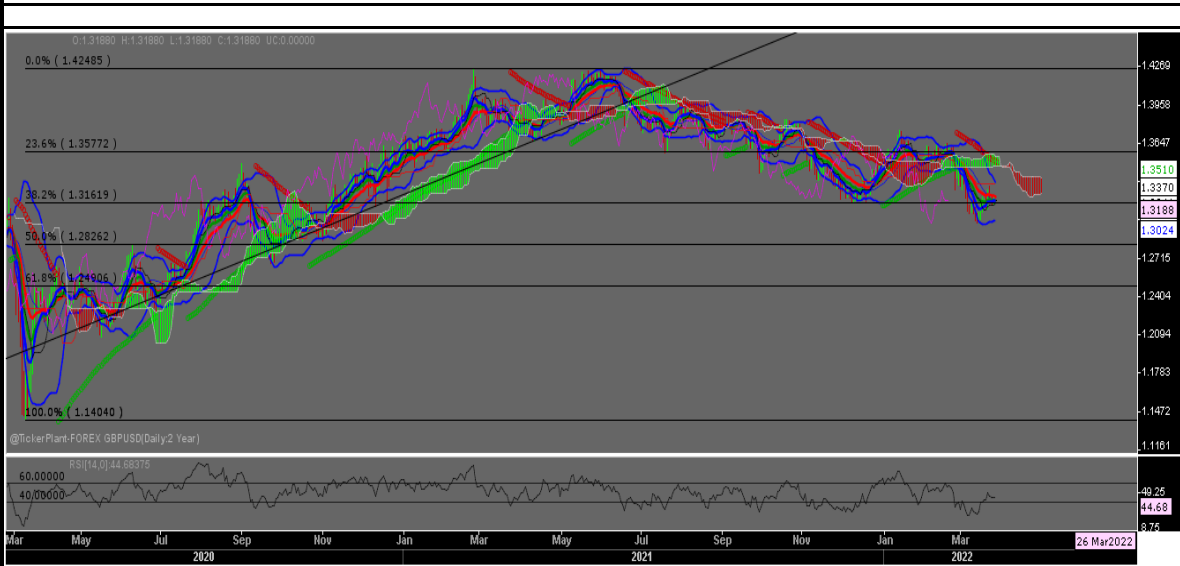
The recent dovish BoE rate hike, in which the Bank voted in an 8-1 split to hike 25bps., supported the Pound. However, while the lone dissenter who voted for the Bank Rate to be left unchanged grabbed traders' attention, there was also a notable change in the forward guidance.

February statement- Some further modest tightening in monetary policy "is likely" to be appropriate in the coming months

March statement- Some further modest tightening in monetary policy "may" be appropriate in the coming months

This suggests that the BoE could be soon approaching a pause in the hiking cycle and adopt a wait and watch approach. This takes into account the more cautious view on the UK's growth outlook in light of the escalation of geopolitical tensions.

Apart from the short term volatility from a re-pricing lower in rate expectations which would weigh on the Pound, the bigger driver for the Pound will be the Russia-Ukraine conflict.



The GBPUSD Daily chart indicates, last week the Pound moved above the 38.2% Fibo support at 1.3160 to close at 1.3188. GBPUSD recently had been hovering around the 1.3575 major resistance level and failed to breach the same in the North which resulted into a sharp selloff in the pair.

However, as mentioned in our report earlier, the pair was extremely oversold & was expected to witness a small bounce back to the 38.2% Fibo level which was achieved recently, with further upward expectation now to 1.3280.

Major support in the pair now lies around 1.30 and 1.3280 is the next interim resistance.

The bearish Ichimoku cloud formation appears to be a threat at the beginning of the next month.

For this week we suggest going long in the pair above 1.32 with Strict Stops below 1.3150.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy Above 1.32 SL 1.3150 TGT 1.3280				Buy 100-99.80 SL 99.30 TGT 101-101.50				1.3200-1.3300 99.80-101.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		96.76	98.00	99.25	99.78	100.49	101.03	101.74	102.98	104.23	
Exporters Strategy	Exporters were advised to hedge their March exposure partially (50%) around 102.20. Pending to held open with Stop below 100 Spot. Stop Triggered										
Importers Strategy	Importers were advised to hedge partially (50%) near 100.80 and 30% around 99.50 Spot for March exposure. Pending to held open with Stop above 101.60 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
28.03.2022	04:30 PM	GBP	BOE Gov Bailey Speaks		
29.03.2022	07:30 PM	USD	JOLTS Job Openings	11.00M	11.26M
		USD	CB Consumer Confidence	106.9	110.5
30.03.2022	01:40 PM	GBP	MPC Member Broadbent Speaks		
	05:45 PM	USD	ADP Non-Farm Employment Change	455K	475K
	06:00 PM	USD	Final GDP q/q	7.1%	7.0%
	08:00 PM	USD	Crude Oil Inventories		-2.5M
31.03.2022	All Day	All	OPEC-JMMC Meetings		
	06:00 PM	USD	Core PCE Price Index m/m	0.4%	0.5%
		USD	Unemployment Claims	200K	187K
	07:15 PM	USD	Chicago PMI	57.2	56.3
01.04.2022	06:00 PM	USD	Average Hourly Earnings m/m	0.4%	0.0%
		USD	Non-Farm Employment Change	485K	678K
		USD	Unemployment Rate	3.7%	3.8%
	07:30 PM	USD	ISM Manufacturing PMI	58.9	58.6

Report prepared by:

Siddhesh Ghare
Head- FX Risk Business
PhillipCapital (India) Pvt. Ltd.

sghare@phillipcapital.in
+91 99634 87722

Disclaimer:

The information and views presented in this report are prepared by Phillip Services India Pvt. Ltd. The information contained herein is based on our analysis and up on sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither Phillip Services India Pvt. Ltd. nor any person connected with any associated companies of Phillip Group accepts any liability arising from the use of this information and views mentioned in this document.