

Currencies Weekly Report

Week of 12.09.2022

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September 12, 2022

Global Economic Review & Outlook

Market volatility cooled in the first full trading week of September after a mostly rough August.

While Wall Street indices rose sharply, things also looked rosy in Europe.

The risk-on mood dented demand for haven assets, leaving the Dollar at risk. Traders might have also pre-positioned themselves as the Fed entered its blackout period before the September rate decision.

The European Central Bank hiked lending rates by 75 bps last Thursday and ECB President Christine Lagarde said that more rate hikes are coming.

On Thursday, Fed Chair Powell signaled the central bank's commitment to getting prices under control as well as cautioning that long-lasting inflation poses a threat to the Fed's policy tools.

Rate markets see an 85% chance for a 75-bp hike on September 22.

The FOMC entered a blackout period on Saturday, barring members from commenting on monetary policy. The consensus on the pace of hikes beyond the next meeting is less certain; more rate hikes are coming, but they may be smaller.

In the week ahead, all eyes will turn to the next US CPI report.

Other notable event risks include United Kingdom's inflation rate for the Pound. Soaring energy prices means another headline CPI print seen above 10% y/y for August.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	12112.31	11630.86	4.14
DOW JONES	32151.71	31318.84	2.66
NIKKEI	28214.75	27650.84	2.04
HANGSENG	19362.25	19452.09	-0.46
CAC	6212.33	6167.51	0.73
DAX	13088.21	13050.27	0.29
FTSE	7351.07	7281.19	0.96
FX	Last Close	Previous Week	% CHANGE
DX	108.97	109.61	-0.58
EURUSD	1.0039	0.9956	0.83
GBPUSD	1.1588	1.1508	0.70
USDJPY	142.55	140.20	1.68

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	79.8936	79.8893	79.9220	79.6712	79.6358
EURINR	79.0483	79.5490	79.0700	79.7551	80.1832
GBPINR	91.5671	92.4569	91.7291	91.7483	92.3467
JPYINR	56.90	56.59	55.46	55.49	55.72

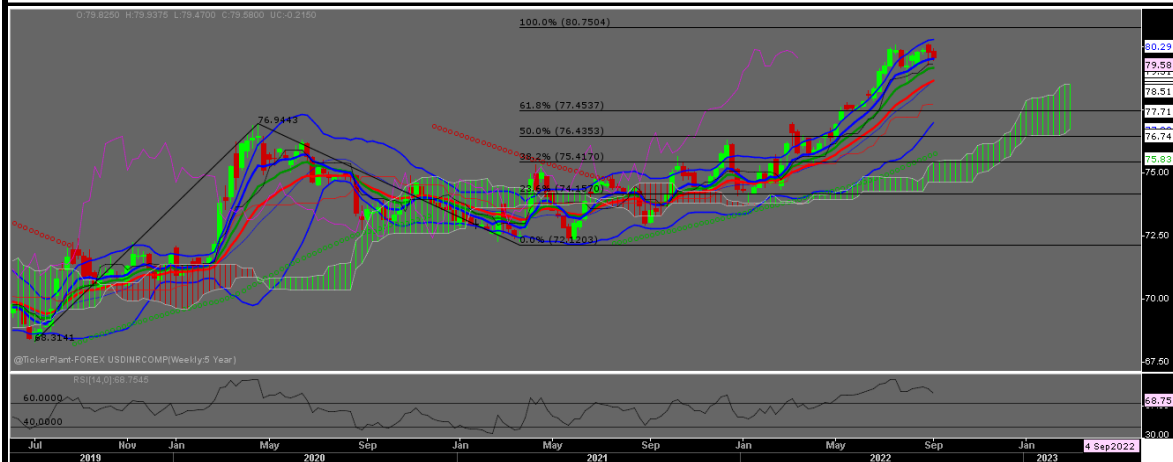
	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	79.9950	80.3925	80.9475	81.5975	82.1675
Tuesday	79.9750	80.3775	80.9300	81.5800	82.1450
Wednesday	80.0400	80.4400	80.9750	81.6200	82.1900
Thursday	79.8200	80.2175	80.7550	81.4000	81.9600
Friday	79.6825	80.0775	80.6175	81.2500	81.8100

Dollar Outlook

Dollar strength cooled last week. The DXY rose to its highest since June 2002, but strength faded soon and prices moved lower throughout the second half of the week. Still, the Dollar is able to keep intact its year long rally. The Dollar's fundamental backdrop, consisting of a relatively aggressive central bank and resilient economy, remains sound.

Last Thursday, Fed Chair Powell signaled the central bank's commitment to getting prices under control as well as cautioning that long-lasting inflation poses a threat to the Fed's policy tools. The consensus on the pace of hikes beyond the next meeting is less certain; more rate hikes are coming, but they may be smaller.

The Dollar's main threat in the week ahead is the U.S. CPI for August due Tuesday. The data is expected to report an 8.1% annual rate, which would be down from 8.5%. However, the CPI's core component is forecasted to rise to 6.0% from 5.9%. The most bearish outcome for the USD would be a miss on both, as it may shift Fed bets to a smaller 50-bp move. That would likely put pressure on USD-sensitive short-term Treasury yields.



The USDINR Weekly chart indicates the pair witnessed an increased volatility, leading to a move from highs of 79.93 to 79.47 while settling around 79.60 last week.

The pair closed just above the 8-EMA while it still holds itself above the bullish 8-13-20 EMA crossover which could be a threat to bears.

While the pair has been technically overbought as indicated by the Bollinger-RSI combination, where the RSI is making lower lows, we might see 80 as a strong resistance in short term.

The Parabolic SAR penetrating the bullish Ichimoku cloud from beneath might help the pair to correct a little for traders to go long again.

This week we expect the pair to show some correction towards

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 79.85 SL 80.20 TGT 79.40-79.20								79.20-79.90		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		78.26	78.73	79.20	79.39	79.66	79.86	80.13	80.60	81.07	
Exporters Strategy	Exporters were advised to hedge their September exposure fully around 80.00.										
Importers Strategy	Importers were advised to hedge September payables partially (30%) around 79.30. Pending to be held open with Stop above 80.20.										

Euro Outlook

Representatives of the EU member states met last Friday to discuss potential solutions to the energy crisis that Europeans face ahead of winter. Most of the proposals were well received except for a price cap on Russian gas as a number of countries still rely on gas from Russia and are still receiving flows despite Nord Stream being turned off indefinitely.

The ECB hiked by 75-bp, which was more or less priced in. ECB President Lagarde stressed that the committee unanimously decided on 75-bp hike and that more hikes will be coming. She mentioned that there are likely two more hikes but no more than five, which is purely data dependent.

Since markets had already priced in the rate hike, more was needed to boost the euro. Also, while the ECB hikes on one hand, it continues with asset purchases which is a stimulatory activity on the other hand. This could change in the coming week and may provide some support to the euro.

The euro continues to struggle against long-term issues (energy crisis, economic slowdown and worsening balance of trade).

There is very little going on for euro at the moment meaning the outlook of selling on rise remains until there's a massive change in underlying fundamentals.

The EU is however planning on shielding consumers from massive energy costs which would provide support for household incomes and assist the economy.



The EURUSD Daily chart indicates the pair managed to hold itself above the 8-13-20 DEMA which have not given a bullish crossover yet.

Euro faced a strong resistance at the upper Bollinger band last week, but the RSI has been making higher lows moving up slowly, thus building hopes of a decent bounce in the pair.

The Parabolic SAR is on the border to have completely penetrated the bearish Ichimoku cloud from above, thus adding to hopes of a further pullback in the pair.

If EURUSD manages to hold on to parity, a bounce back to 1.0150 could be seen in the pair.

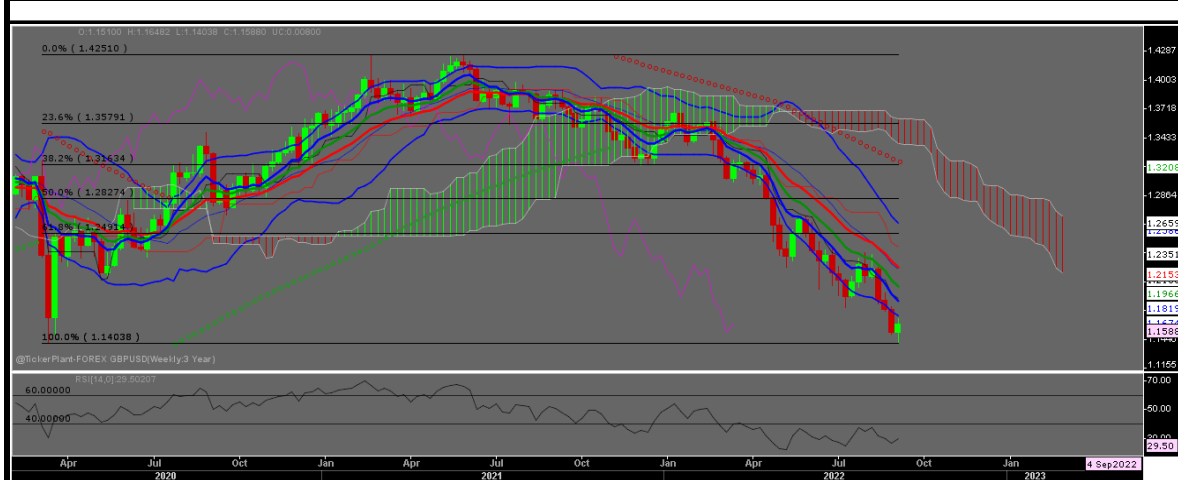
Traders, in the week ahead, should go long around 1.00 in the Euro with stops placed below 0.99.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.00 SL 0.99 TGT 1.01-1.0150				Buy 79.90-79.70 SL 79.20 TGT 80.80-81.40				1.00-1.0150 79.70-81.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		75.16	76.73	78.30	79.28	79.87	80.85	81.43	83.00	84.57	
Exporters Strategy	Exporters were advised to hedge 40% of September exposure around 80.30 Spot. Pending to hedged around 81 with Stop below 79.00 Spot.										
Importers Strategy	Importers were advised to hedge 60% of September payables around 79.50. Pending to be held open with Stop above 80.50 on Spot.										

British Pound Outlook

The GBP enjoyed a mixed week, losing ground against the Euro but gaining as Dollar finally saw some weakness. Pound pushed lower earlier in the week following Liz Truss's appointment as the new PM before dollar weakness saw a 240-odd pip rally from the week's lows. The early week's decline saw GBPUSD hit a 37-year low. The rally later, was not replicated against other currencies, indicating it was motivated by dollar weakness and not optimism over Sterling. The appointment of PM Truss saw a mix of emotions from markets and Pound felt the effects. Initial scepticism around the appointment stemmed from the idea that Truss might move against BOE as she had voiced strong thoughts regarding the bank's mandate. Instead the new PM announced measures to help consumers with unprecedented energy prices and high cost of living. Truss's plan will cap the average cost of energy for households at GBP2,500 a year from October, well below the GBP3,548 they would have paid without the intervention. The total cost of this package could result in a decline in inflation however, it will add GBP2.3 trillion in national debt with the budget deficit to surpass 10% of GDP for third time since the 2009 crisis.

The August rate hike came with a dire set of economic forecasts which have been compounded by the ECB rate hike this week and prospect of another jumbo Fed rate hike. The outlook for Sterling doesn't inspire confidence at present with consensus for lower prices and potentially parity to the dollar still in play.



The GBPUSD weekly chart indicates the pair has been bearsih for a long time now and hit a 37-year low last week. The pair has been continously trading below the 8-13-20 EMAs.

GBPUSD last week recovered a little but is still below the lower Bollinger band and still holds a sell on rise view.

The Bollinger-RSI combination alongwith the penetration of bearish Parabolic SAR below the bearish Ichimoku cloud together indicate that GBPUSD is oversold and a breakout above 1.17 could see traders going long in the pair.

However, the dense Ichimoku cloud still indicates the pair might not breach 1.17 in the north and a fresh selling could be seen around 1.1630.

This week we suggest going short around 1.1630.

Weekly Trading Strategy (SPOT)											
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.1580-1.1630 SL 1.1680 TGT 1.1410				Sell 92.80-93.00 SL 93.60 TGT 92.20-91.80				1.1400-1.1650 91.60-93.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		88.22	89.54	90.87	91.67	92.19	92.99	93.52	94.84	96.17	
Exporters Strategy	Exporters were advised to hedge their September exposure partially (60%) around 92.50. Pending to be hedged around 93.00 with Stop below 92.20 Spot.										
Importers Strategy	Importers were advised to hedge partially (30%) near 91.60 Spot for September exposure. Pending to be held open with Stop above 93.60 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
12.09.2022	11:30 AM	GBP	GDP (MoM)	0.3%	-0.6%
		GBP	Manufacturing Production (MoM) (Jul)	0.4%	-1.6%
		GBP	Monthly GDP 3M/3M Change		-0.1%
13.09.2022	11:30 AM	GBP	Average Earnings Index +Bonus (Jul)	5.2%	5.1%
		GBP	Claimant Count Change (Aug)	-13.2K	-10.5K
	01:30 PM	GBP	BoE Gov Bailey Speaks		
	02:30 PM	EUR	German ZEW Economic Sentiment (Sep)	-60.0	-55.3
	06:00 PM	USD	Core CPI (MoM) (Aug)	0.3%	0.3%
		USD	CPI (MoM) (Aug)	-0.1%	0.0%
		USD	CPI (YoY) (Aug)	8.1%	8.5%
14.09.2022	11:30 AM	GBP	CPI (YoY) (Aug)	10.2%	10.1%
	06:00 PM	USD	PPI (MoM) (Aug)	-0.1%	-0.5%
	08:00 PM	USD	Crude Oil Inventories		8.844M
15.09.2022	04:30 PM	GBP	BoE MPC Meeting Minutes		
	06:00 PM	USD	Core Retail Sales (MoM) (Aug)	0.2%	0.4%
		USD	Initial Jobless Claims	225K	222K
		USD	Philadelphia Fed Manufacturing Index (Sep)	3.5	6.2
		USD	Retail Sales (MoM) (Aug)	0.2%	0.0%
16.09.2022	07:30 AM	CNY	Industrial Production (YoY) (Aug)	4.0%	3.8%
	11:30 AM	GBP	Retail Sales (MoM) (Aug)	-0.6%	0.3%
	02:30 PM	EUR	CPI (YoY) (Aug)	9.1%	9.1%

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