Currencies Weekly Report

Week of 21.11.2022



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Global Economic Review & Outlook

Last week, Fed speak offered a clear message: that despite the recent drop in inflation, there was still more tightening that would need to be done – and to a terminal rate higher than they previously projected.

The situation within the eurozone has not changed much with continued geopolitical tensions giving rise to the energy threats that seem to recede and flow periodically. ECB officials seem to be divided on whether to go with rate hikes or with quantitative tightening.

Global market sentiment was a mixed bag last week. It was a relatively disappointing 5 days for Wall Street while things were looking relatively bright in Europe.

Wall Street's shortened trading week will be jam-packed with the FOMC minutes, more Fed speak, the flash PMIs and the final look at the University of Michigan's inflation expectations.

The Fed is set to publish the minutes of its November meeting on Wednesday with investors eager for any sign that policymakers may be considering slowing the tightening process.

The Chinese central bank's pledge to step up supportive policy measures should be on display on Monday, when key loan prime rates are set. Britain is already facing a lengthy recession. Eurozone economic growth has held up better than expected and labor markets remain relatively robust. But recession risks are still looming amid energy shortages and elevated inflation.

		RBI Reference Rate										
	MONDAY TUESDAY WEDNESDAY THURSDAY											
USDINR	81.2332	81.4280	81.3354	81.6335	81.6975							
EURINR	83.7455	84.1309	84.4115	84.7726	84.7078							
GBPINR	95.5059	95.8929	96.5836	97.1945	97.2271							
JPYINR	58.27	58.02	58.17	58.53	58.42							

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11146.06	11323.33	-1.57
DOW JONES	33747.14	33749.18	-0.01
NIKKEI	27899.77	28263.57	-1.29
HANGSENG	17992.54	17325.66	3.85
CAC	6644.46	6594.62	0.76
DAX	14431.86	14224.86	1.46
FTSE	7385.52	7318.04	0.92
FX	Last Close	Previous Week	% CHANGE
DXY	106.97	106.29	0.64
EURUSD	1.0325	1.0354	-0.28
GBPUSD	1.1887	1.1835	0.44
USDJPY	140.37	138.77	1.15

	USDINR Forward Rates (Month End)										
	1 Month	3 Month	6 Month	9 Month	12 Month						
Monday	81.3150	81.6750	82.1750	82.6225	83.0700						
Tuesday	81.1500	81.4850	81.9800	82.3950	82.8300						
Wednesday	81.3500	81.6800	82.1800	82.5950	83.0250						
Thursday	81.6750	81.9950	82.4850	82.8925	83.3000						
Friday	81.7150	82.0400	82.5600	82.9650	83.3650						

Dollar Outlook

The Fed's minutes from the November policy meeting will be closely watched where financial markets will want to know if the Fed still believes that the cost of taking too little action to bring down inflation likely outweighed the cost of taking too much action.

While Fed officials have been alluding to a slower pace of tightening, they have also been underscoring the case for ongoing rate hikes. Meanwhile, US retail sales surprised higher, highlighting the economy's resilience in the face of rising interest rates.

The Fed is expected to downshift to a 50bp hiking pace in Dec., but that rate-hiking cycle could last longer if pricing pressures become more entrenched. As a result of rising Fed rate hike bets last week, the US Dollar found some momentum against its major peers.

US stock and bond markets will be closed Thursday for Thanksgiving Day and will close early on Friday. Traders will pay close attention to Black Friday shopping data, which will give the latest pulse on the health of the US consumer.

The most notable event risk is FOMC meeting minutes, which may continue underscoring the case for tightening, albeit at a slower pace. The ECB's equivalent will also cross the wires for the Euro.



The USDINR Weekly chart indicates the pair, after testing near 83.25 in the week earlier has cooled off to spend much of the last week around 81.40.

The pair which was in an extremely overbought zone throughout Oct. has witnessed a sharp correction as expected in Nov. Although, there has been a complete range shift in the pair in October, it is too early to say if this 81-83.50 range would be sustained. 80.75 would act as a major support to USD for that matter.

USDINR has tested the Middle Bollinger with RSI at 60 and has managed to close above the 8-13-20 Weekly EMAs. However, in the week ahead the pair can face resistance around 82-82.30 again and drop down back to levels around 81.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish - Sideways		Sell 82.10-82.30 SL 82.60 TGT 81.40-80.90								80.80-82.30	
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		77.51	78.78	80.05	80.87	81.33	82.14	82.60	83.87	85.14	
Exporters Strategy	Exporters were advised to hedge 50% of their November exposure around 82.50 Spot and 30% around 82.80 Spot. Pending was held open with Stops below 81.80. Stop Triggered.										
Importers Strategy		I	•			•	ure open wit be booked	•	•	i.	

Euro Outlook

ECB officials seem to be divided in their opinions with some favoring a sustained aggressive stance while others are looking at introducing Quantitative Tightening sooner than expected to avoid hawkish interest rate hikes.

The ECB's Knot has been vocal about using an earlier implementation of QT to quell inflationary pressures and thus reducing the peak rate which is currently priced in at 2.9269% in July 2023. ECB President Christine Lagarde however, seems to favor interest rate hikes as a superior tool to curb inflation.

The highlight next week could be the monetary policy accounts, although, with a steady stream of central bank commentary since the last meeting and a raft of economic data, it's hard to say just how impactful they'll ultimately be.

The flash PMIs may tell a more interesting story of an economy heading for recession, while appearances from various policymakers – including Lagarde on Sunday – could fill in any gaps that haven't already been filled.

German PMIs and IFO could indicate a contraction of German industrial output as early as over the coming quarters. This is likely driven by both the energy crisis, component shortages and the link to the Chinese economy.



The EURUSD Weekly chart indicates the pair held on to its recovery a week earlier, but couldn't add much to the gains last week, where it moved above the 100% Fibo retracement level at 1.0429 but failed to hold above it to close the week.

The RSI although has moved up above 40 recently, it is to be seen if it is able to hold above 40 in the week ahead.

The Parabolic SAR has penetrated the bearsih Ichimoku cloud from above but is still near the borders of the cloud, not indicating a clear reversal in the pair at the moment.

Technically, the pair seems to continue its move upward untill the RSI tests the 60 mark.

In the week ahead EURUSD can move up to test 1.05, however, buying in the pair is suggested only if it moves up above 1.0360.

Weekly Bias			Weekly Range								
Bullish-Sideways	Buy above 1.0360 SL 1.0260 TGT 1.0460-1.05				Buy 84	4.30-84.10 S	SL 83.60 TG1	1.0300-1.0500 84.00-85.50			
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		79.09	80.82	82.54	83.64	84.27	85.37	86.00	87.73	89.45	
Exporters Strategy		Exporters were advised to hedge 50% of their November exposure around 82.50 Spot. Pending to be held open with Stops below 83.00. Targeting 85.00.									
Importers Strategy		Importers w		to hedge 509 ng to be held						l 80.00 Spot.	

British Pound Outlook

It's hard to get too excited about next week's PMI data and central bank speak following the assessment from the OBR on the economic outlook, taking into consideration the latest fiscal squeeze. The UK is heading for its largest squeeze on living standards in six decades – a 7.1% decline – as interest rates continue to increase, taxes rise and the cost-of-living crisis intensifies.

The only question that remains is how soon the BoE can pause its tightening among all of these other pressures. It alluded to the fact that markets are pricing in too much at the last meeting but at this moment, another 150 bps are still priced in.

Last week's UK Fiscal Statement, a mixture of tax rises and spending cuts announced by Chancellor Jeremy Hunt, may begin the process of restoring the UK's battered reputation, according to the Institute of Fiscal Studies.

The Office for Budget Responsibility (OBR) forecast indicated that the UK is currently in a recession, which will see unemployment jump from 3.5% to 4.9%. The BoE's outlook is even worse, with unemployment forecast to hit 6.5% and negative growth expected in the H2 of this year, throughout 2023 and into the first half of 2024. GDP declined by 0.2% in the third quarter, and the headwinds look formidable for the UK economy and the British pound.



The GBPUSD Weekly chart indicates the pair has been on a strong recovery recently, where it has breached the 8-13-20 Weekly EMAs to move close to the Upper Bollinger band.

The Upper Bollinger happens to lie close to the 100% Fibo retracement at 1.2145, which might act as a strong resistance in the pair.

The RSI although has moved up, to cross 40 recently, it is to be seen if it is able to hold above 40 in the near future.

Also, a resistance at 1.2145 could lead to a fresh sell-off in the pair leading it back towards the Lower Bollinger band at 1.10.

In the week ahead, we suggest to go short on the pair around 1.19 targetting levels close to 1.17. However, a strict Stop above 1.2050 is to be maintained.

Weekly Bias	Weekly Trading Strategy (SPOT)									Weekly Range		
Sideways	Sell 1.1	.880-1.1950 S	L 1.2050 TGT	1.1730	Sell 97.	Sell 97.40-97.60 SL 98.40 TGT 96.60-95.60				1.1700-1.1950 95.00-97.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4		
		88.50	91.22	93.93	95.67	96.64	98.38	99.35	102.07	104.78		
Exporters Strategy	Exporters were advised to hedge their November exposure partially (50%) around 96 Spot. Pending to be hedged around 97.50 Spot.											
Importers Strategy	lı	mporters we		o hedge part ding to be h		•		•		around 93.00	0.	

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
21.11.2022	01:00 AM	EUR	ECB President Lagarde Speaks		
23.11.2022	02:00 PM	EUR	German Manufacturing PMI (Nov)	45.2	45.1
	03:00 PM	GBP	Composite PMI	47.2	48.2
		GBP	Manufacturing PMI	45.7	46.2
		GBP	Services PMI	48.0	48.8
	06:30 PM	USD	Building Permits		1.526M
	07:00 PM	USD	Core Durable Goods Orders (MoM) (Oct)	0.1%	-0.5%
		USD	Initial Jobless Claims	225K	222K
	08:30 PM	USD	New Home Sales (Oct)	570K	603K
	09:00 PM	USD	Crude Oil Inventories		-5.400M
24.11.2022	12:30 AM	USD	FOMC Meeting Minutes		
	02:30 PM	EUR	German Ifo Business Climate Index (Nov)	85.0	84.3
	06:00 PM	EUR	ECB Publishes Account of Monetary Policy Meeting		
25.11.2022	12:30 PM	EUR	German GDP (QoQ) (Q3)	0.3%	0.3%

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