

Currencies Weekly Report

Week of 11.04.2022

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Global Economic Review & Outlook

The Fed is set to take US rates higher quickly. Rapid interest rate rises increase the risk of recession, but it would be almost absurd to think the market could accurately time the peak in interest rates this early in the tightening cycle.

The ECB is between a rock and a hard place, but we judge the more hawkish tones are prevailing for now. Still, the next actual monetary policy decisions are more likely in June than already next week. The chances of earlier rate hikes have risen.

Monetary policy is set to tighten in the US much more rapidly than recently expected and that will probably mean bigger 50bp hikes at least at next few meetings.

Rapid rise in interest rates might be the reason why markets expect rates to start to fall soon after reaching their peak. The 2-10-yr yield curve already briefly inverted last month, and such indicator of US recession should not be ignored.

Another big upward surprise in Euro-area inflation adds pressure on ECB, even if downside risks for economy have risen at the same time.

We think ECB will decide on end date for net asset purchases at June meeting. Decision could be taken at this week's meeting.

Markets continue to price in a more aggressive rate path than expected based on the ECB's signals.

ECB monetary policy account suggests more hawkish tones within the ECB have gained the upper hand.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	13711.00	14261.50	-3.86
DOW JONES	34723.03	34818.14	-0.27
NIKKEI	26985.80	27665.98	-2.46
HANGSENG	21872.01	22039.55	-0.76
CAC	6548.22	6684.31	-2.04
DAX	14283.67	14446.48	-1.13
FTSE	7669.56	7537.90	1.75
FX	Last Close	Previous Week	% CHANGE
DX	99.80	98.57	1.25
EURUSD	1.0876	1.1048	-1.56
GBPUSD	1.3035	1.3114	-0.60
USDJPY	124.28	122.55	1.41

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	75.5565	75.3899	75.6016	75.8029	75.7811
EURINR	83.4239	82.6932	82.2802	82.8132	82.3149
GBPINR	99.1508	98.9462	98.7357	99.2214	98.8913
JPYINR	61.57	61.51	61.00	61.29	61.08

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	75.7175	76.2125	76.9525	77.6625	78.3725
Tuesday	75.4950	76.0050	76.7450	77.4750	78.1850
Wednesday	75.9150	76.4400	77.1650	77.8800	78.5850
Thursday	76.0950	76.6100	77.3500	78.0600	78.7600
Friday	76.0350	76.5600	77.3250	78.0700	78.8000

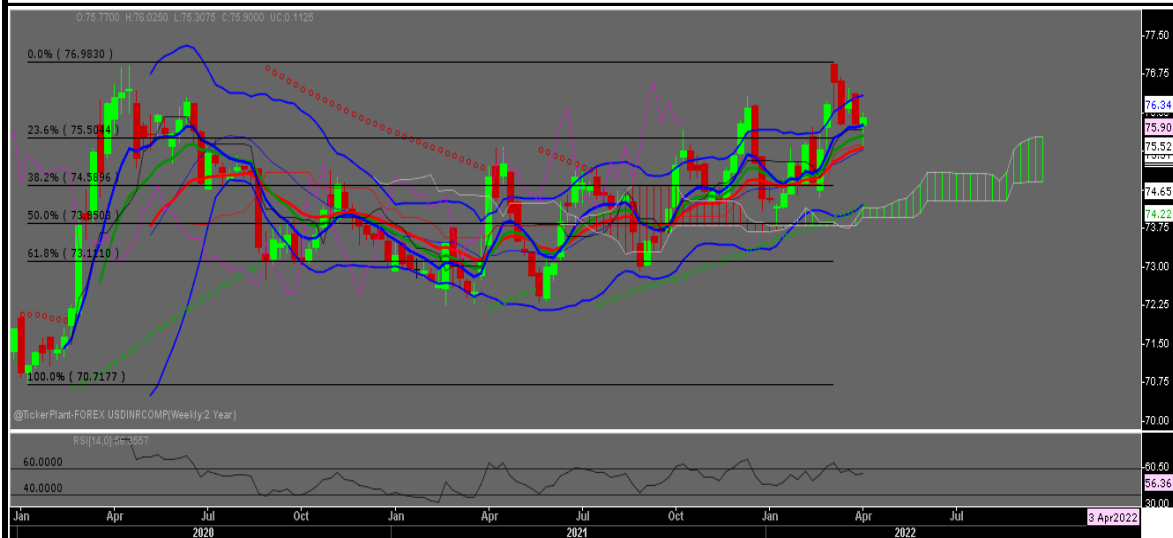
Dollar Outlook

The near term outlook remains bullish for the US Dollar as rate differentials continue to move in favour of the greenback. Meanwhile, softer risk assets are likely to keep the Dollar underpinned and the DXY might maintain a foothold above the 100 level going forward.

The recent Fed minutes provided details on what quantitative tightening will look like when it is announced at the May meeting. However, Fed's Brainard, who emphasised that this is an inflation-fighting Federal Reserve who will look to over deliver with regard to policy tightening, stole the show. The Dollar might continue its upmove heading into the May meeting supported by commodity currencies that have begun to pullback.

Further, on the domestic front we will see the latest round of inflation figures. However, with the direction of monetary policy clear with a 50bps hike alongside QT at the May meeting expected, the upcoming datapoints might not have a notable impact for the near-term policy outlook and therefore, trend in the dollar is unlikely to be changed, unless there is a significant deviation from expectations.

Weekly unemployment claims along with the consumer sentiment and PPI data are some other data releases this week.



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

The pair also 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.

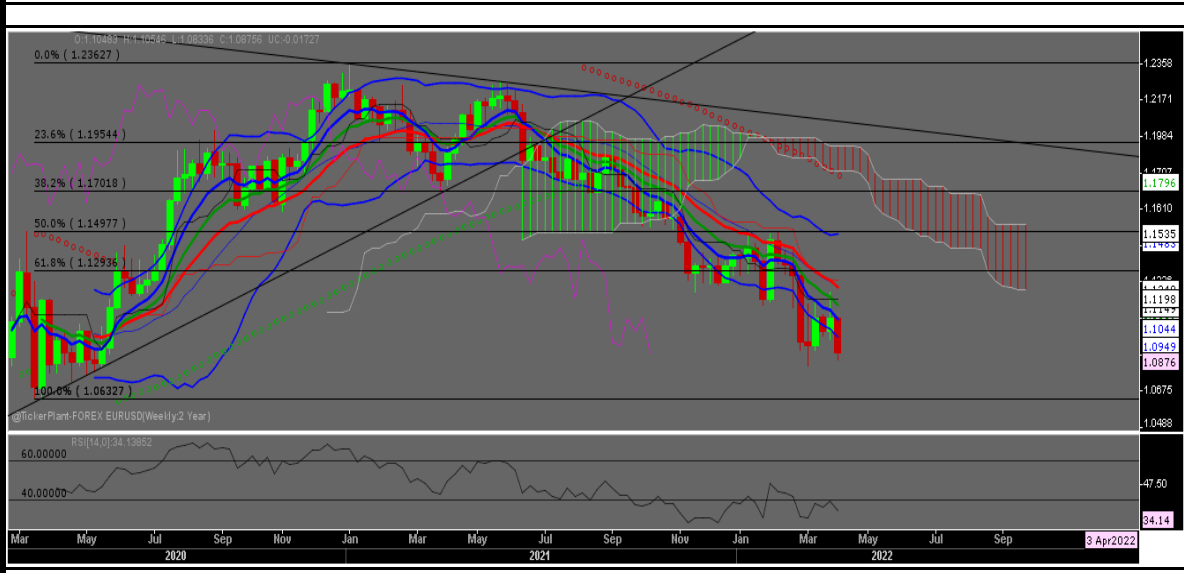
The emergence of a thin bullish ichimoku cloud, as expected, has resulted into a major threat for the Rupee where a support at 75.50 in USDINR and reversal upwards could bring in fresh bullish bias taking the pair further higher above 77 in the near term.

However, for the week ahead, the ECB policy outcome might change the due course of Dollar Index pushing it down back to 99 and thus resulting into a USDINR depreciation.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 75.70-75.50 SL 75.20 TGT 76.20-76.50								75.40-76.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		73.59	74.31	75.03	75.46	75.74	76.18	76.46	77.18	77.90	
Exporters Strategy	Exporters are suggested to hedge their April exposure partially (50%) around 76.30. Pending to be held open with stop below 75.30 Spot.										
Importers Strategy	Importers are suggested to hedge April payables Fully around 75.50.										

Euro Outlook

The ECB policy decision, and press conference, this week look set to be a particularly testing meeting for ECB President Lagarde as she tries to find a policy balance to cool down rampant inflation while propping up a weak growth outlook. This comes at a time when other major central banks are already or are fully prepared to, hike interest rates in ever-increasing increments. It is likely that 50 bp rate hikes will become common with major central banks this year. While other major central banks are already tightening monetary policy, the ECB has a job of trying to stem inflation while the economy begins to stagnate. The market currently expects the ECB to increase interest rates by 60 basis points this year, a start, but if inflation is to be controlled, the ECB should signal that they are willing to go hard, early. This will be difficult when Euro Area growth weakens. In this scenario, Euro will be under a lot of pressure. Add in the upcoming French Election and the ongoing crisis in Ukraine, the Euro is likely to stay volatile and fall further.



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 1.1030.

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 1.1030/00 SL 1.1150 TGT 1.08				Sell 83.40/50 SL 84.30 TGT 81.90				1.0800-1.1030 81.80-83.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		78.29	79.79	81.30	81.88	82.80	83.39	84.31	85.81	87.32	
Exporters Strategy	Exporters are 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 are advised to hedge 50% of April payables around 82.50 on Spot. Pending to be held open with Stop above 84.										

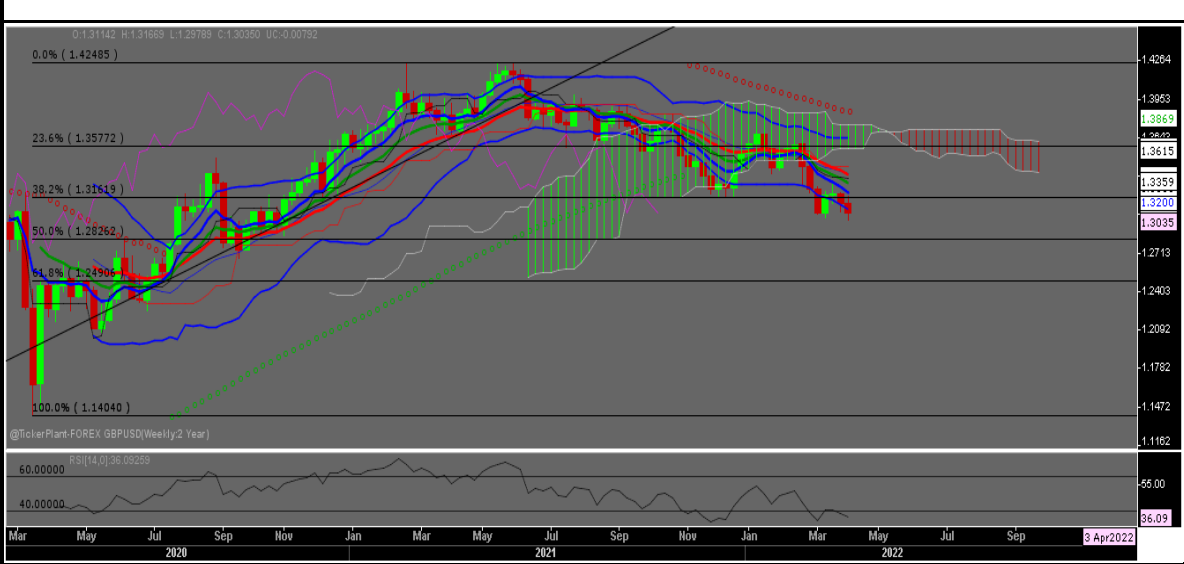
British Pound Outlook

While the Pound has done alright against weaker currencies like the euro and yen, it has continued the long-term downtrend since June 2021 in GBPUSD. The dollar has been exceptionally strong from a fundamental point of view and recently due to its safe-haven appeal amid the ongoing invasion of Ukraine. Nevertheless, Sterling appears to be stuck around the psychological level of 1.3000 with no clear bullish catalyst.

The Cable continues to struggle as UK battles rising inflation and a cost of living crisis resulting from higher energy costs which squeezes household disposable income. If households are left with less money after paying bills, that equates to less spending and less economic activity, locally.

The CFTC weekly report on the aggregate positioning of large institutions and hedge funds reveals that traders remain net-short GBPUSD.

This week's CPI release in the UK in the middle of the week could result into GBP further loosing ground against the USD.



The GBPUSD Weekly chart indicates, last week the Pound traded below the 38.2% Fibo resistance at 1.3160 to close lower at 1.3035.

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 last week.

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.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish-Sideways	Sell 1.3140 SL 1.3200 TGT 1.3000				Sell 99.40/50 SL 100 TGT 98.50-98.00				1.3000-1.3150 98.00-99.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		96.10	97.05	98.01	98.50	98.96	99.46	99.92	100.87	101.83	
Exporters Strategy	Exporters are advised to hedge their April exposure partially (70%) around 99.50. Pending to held open with Stop below 98.40 Spot.										
Importers Strategy	Importers are 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
11.04.2022	Tentative	JPY	BOJ Gov Kuroda Speaks		
12.04.2022	02:30 PM	EUR	ZEW Economic Sentiment	-46.5	-38.7
		EUR	German ZEW Economic Sentiment	-48.4	-39.3
	06:00 PM	USD	CPI m/m	1.2%	0.8%
		USD	Core CPI m/m	0.5%	0.5%
	09:40 PM	USD	FOMC Member Brainard Speaks		
	10:31 PM	USD	10-y Bond Auction		1.92 2.5
13.04.2022	11:30 AM	GBP	CPI y/y	6.7%	6.2%
	11:45 AM	JPY	BOJ Gov Kuroda Speaks		
	06:00 PM	USD	PPI m/m	1.1%	0.8%
		USD	Core PPI m/m	0.5%	0.2%
	10:31 PM	USD	30-y Bond Auction		2.38 2.5
14.04.2022	05:15 PM	EUR	Main Refinancing Rate	0.00%	0.00%
		EUR	Monetary Policy Statement		
	06:00 PM	EUR	ECB Press Conference		
		USD	Core Retail Sales m/m	1.0%	0.2%
		USD	Retail Sales m/m	0.6%	0.3%
		USD	Unemployment Claims	175K	166K
	07:30 PM	USD	Prelim UoM Consumer Sentiment	58.8	59.4
15.04.2022	01:20 AM	USD	FOMC Member Mester Speaks		
	06:00 PM	USD	Empire State Manufacturing Index	1.2	-11.8

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