

Currencies Weekly Report

Week of 13.03.2023

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Global Economic Review & Outlook

A string of hot labour market and price data in the U.S. has pushed expectations for the terminal rate from the FED to a new cycle high of 5.65%. Fed Chair Powell gave the thumbs up to these expectations for higher rates and opened the door to a re-acceleration of the tightening pace right in the March meeting.

The ECB is almost certain to deliver its third straight hike of 50 bps on Thursday, raising the deposit rate to 3.0% - the highest since 2008.

The uncertainty over where the Fed & ECB rates will peak remains elevated, but a hawkish stance and rate hikes will continue for at least the next few meetings, seems very likely.

The US inflation report and the ECB's policy meeting will share the limelight this week. Chinese industrial output might get overshadowed. In the UK, it's budget time again, although the event is not expected to generate as much volatility as last time.

Markets are pricing in one more rate hike from RBI in the tightening cycle at the next meeting on 6 April but this week's inflation data could change that. With more rate hikes being priced in around the world India is no exception after the inflation jump in January.

Meanwhile in China, the NPC has made a more conservative forecast of 5.0% GDP growth in 2023. Recent economic data indicates a strong recovery in the economy, confirming expectations for an early recovery but softening expectations for fiscal and monetary stimulus.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11138.89	11689.01	-4.71
DOW JONES	31909.96	33390.35	-4.43
NIKKEI	28143.97	27927.47	0.78
HANGSENG	19319.92	20567.54	-6.07
CAC	7220.67	7348.12	-1.73
DAX	15427.97	15578.39	-0.97
FTSE	7748.35	7947.11	-2.50
FX	Last Close	Previous Week	% CHANGE
DX	104.58	104.53	0.05
EURUSD	1.0637	1.0632	0.05
GBPUSD	1.2031	1.2040	-0.08
USDJPY	135.04	135.80	-0.56

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	81.7448	--	82.0890	81.9159	82.0147
EURINR	86.9688	--	86.4769	86.4213	86.8366
GBPINR	98.3161	--	97.0642	97.1086	97.7927
JPYINR	60.18	--	59.61	59.92	59.98

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.0050	82.3750	82.8100	83.2400	83.6650
Tuesday	--	--	--	--	--
Wednesday	82.1350	82.4975	82.9200	83.3375	83.7600
Thursday	82.0425	82.4075	82.8325	83.2500	83.6700
Friday	82.1025	82.4650	82.8925	83.3125	83.7450

Dollar Outlook

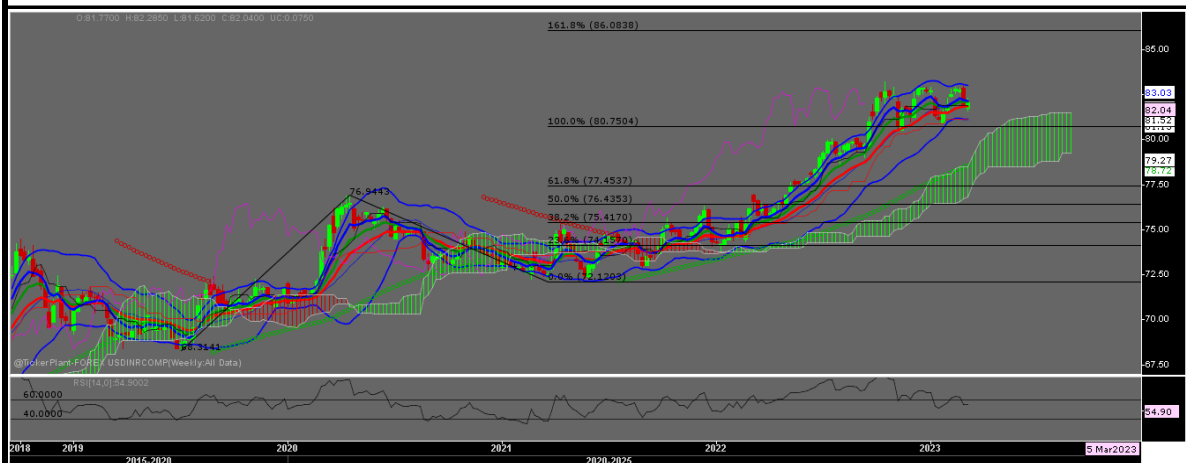
The labor market is still strong but is showing signs it is ready to soften as wages cool.

Disinflation trends are struggling and hot February inflation report could not only allow the Fed to boost their hiking pace but possibly lead markets into expecting a higher peak rate.

Headline inflation is expected to slow from 6.4% to 6.0%. The monthly inflation rate is expected to edge lower from 0.5% to 0.4%, while the core reading is expected to hold steady at the 0.4% pace. The Inflation, if reported higher than expected, could confirm a 50bps hike from the Fed in the upcoming March Monetary policy meeting.

While the inflation report will get the majority of the attention, markets will also closely watch the February retail sales data which should show consumer spending is weakening. Housing data is expected to remain weak, while Friday's release of consumer sentiment is expected to hold steady.

In other data, the New York and Philadelphia Feds' manufacturing gauges on Wednesday and Thursday, respectively, will shed some light on how the sector fared in the early days of March.



The USDINR Weekly chart indicates the pair began the month with a decent sell-off and opened further lower at 81.77 this past week where it tested a low of 81.62 only to settle at 82.04.

USDINR has found a strong resistance at the Upper Bollinger band and also at the Big figure 83, which has pushed it to 82 where it is expected to hover around in the week ahead.

The pair has settled below the 8 & 13 Weekly EMAs which have converged close to the 20- Weekly EMA, and if the 8 & 13 EMAs give a bearish crossover to 20 EMA, it will open the doors for further Dollar depreciation against the Rupee. The Bullish Ichimoku Cloud formation is dense enough to lend

The Bullish Ichimoku Cloud formation is dense enough to lend support to USDINR, thus holding it above 80.75.

This week it is better to keep trading light with neagtive bias.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 82.30 & 82.65 SL 83.30 TGT 81.70-81.30								81.30-82.65		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		79.99	80.65	81.32	81.68	81.98	82.34	82.65	83.31	83.98	
Exporters Strategy	Exporters were advised to hedge 50% of their March exposure between 82.80-83.00 Spot. Pending to be held open with Stop below 82.00. Stop Triggered.										
Importers Strategy	Importers were advised to hold their March exposure open/unhedged with Strict Stop above 83.30 or 83.50 Spot. Partial (50%) hedging was advised between 81.60-81.90 Spot, targetting 81.25 for the pending 50%.										

Euro Outlook

The ECB is widely expected to raise interest rates by 50bps on Thursday. The new economic projections that are released alongside the decision, and the press conference are the most important things to watch out for.

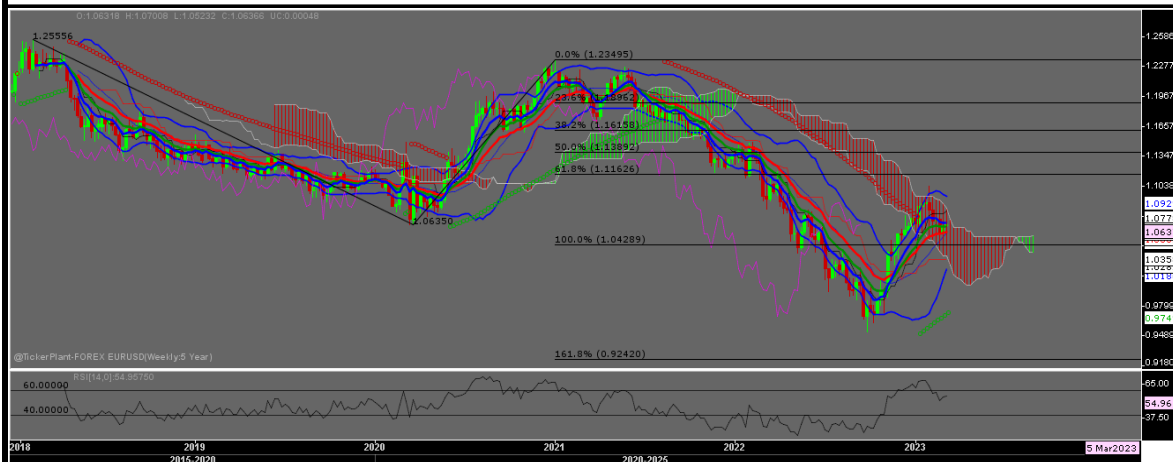
With this rate hike the path forward may get more complicated as there is a growing split between the hawks and the doves within the Governing Council.

The final readings of Eurozone inflation out on Friday are expected to confirm that the core CPI rate jumped to 7.4% which is huge as per the hawks, but doves are worried about the impact that surging borrowing costs might have on weaker members such as Greece and Italy.

As in other countries, the appropriate speed of rate increases is a big question especially now as most of the major central banks are one year into their tightening cycle. Going too fast risks a hard landing but going too slow could be even more dangerous if it makes way for second-round effects.

The ECB will publish its latest quarterly staff projections after the meeting and it will be interesting to see how quickly inflation is forecast to drop to its 2% target. But the bigger question is whether Lagarde will signal another 50bps hike in May.

No clear signal on further hikes could be slightly negative for the euro, though not much, as rates could still peak as high as 4.0% by year-end.



The EURUSD Weekly chart indicates that the pair, similar to USDINR, has settled below the 8 & 13 Weekly EMAs which have converged close to the 20- Weekly EMA.

Alongwith the Upper Bollinger band, EURUSD also will face a strong resistance at the upper end of the dense bearish Ichimoku cloud within which it is hovering currently.

The RSI has recently dipped from the overbought zone and has enough room in the downside before the pair turns oversold, thus suggesting the pair is likely to depreciate further.

1.0430, the 100% Fibo retracement level shall act as a major support in the pair which it is not expected to breach anytime soon but can be tested.

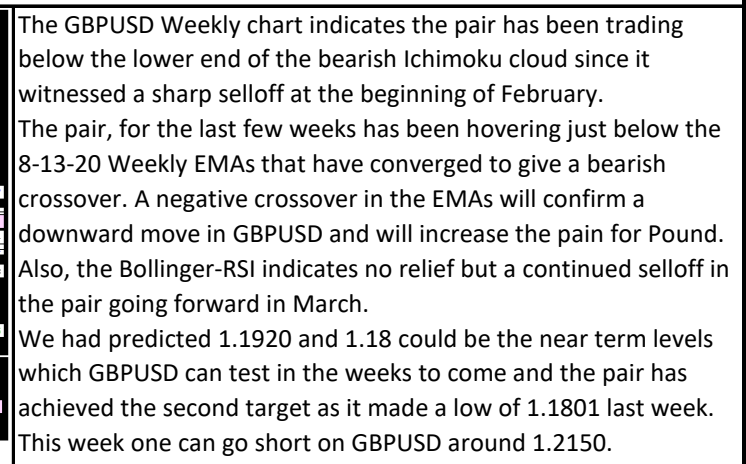
For the week ahead, it is advised to go short on rise to 1.0720.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.0720 SL 1.0800 TGT 1.0540				Sell 87.25 & 87.70 SL 88.60 TGT 86.40-85.90				1.0540-1.0720 85.90-87.70		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.06	84.97	85.87	86.37	86.77	87.27	87.67	88.58	89.48	
Exporters Strategy	Exporters were advised to hold their March exposure open/unhedged with Strict Stop below 87.00 Spot. Target 88.50 to hedge 50%. Stop Triggered.										
Importers Strategy	Importers were advised to hedge 50% of their March payables at 87.50 & 25% at 87.00 Spot. Pending to be held open with Stop above 88.50 on Spot targetting 86.20. Target almost achieved last week at 86.27.										

British Pound Outlook

After the turmoil that followed the previous budget in September, investors are feeling a lot calmer in the hands of Jeremy Hunt. He has not pivoted away from his belief in fiscal discipline since taking on the role to clean up the mess left by Truss and her chancellor, so the likelihood of significant tax cuts is very low.

For the pound, a budget that is pro-growth but with spending kept in check would be broadly positive.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.2150 SL 1.2250 TGT 1.1980-1.1850				Sell 99.00 SL 99.70 TGT 98.00-97.30				1.1850-1.2150 97.30-99.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		92.88	94.57	96.26	97.29	97.96	98.98	99.65	101.34	103.03	
Exporters Strategy	Exporters were advised to hedge their March exposure (50%) between 100.30-100.50 Spot. Total exposure to be held open with Stop below 98.50 Spot. Stop Triggered.										
Importers Strategy	Importers were advised to hedge partially (50%) at 99.50 & 25% at 99.00 Spot for March. Pending to be held open with Stop above 100.50 Spot, targetting 97.50 Spot. Target achieved last week.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
14.03.2023	12:30 PM	GBP	Average Earnings Index +Bonus (Jan)	5.7%	5.9%
		GBP	Claimant Count Change (Feb)	-12.4K	-12.9K
	06:00 PM	USD	Core CPI (MoM) (Feb)	0.4%	0.4%
		USD	CPI (MoM) (Feb)	0.4%	0.5%
		USD	CPI (YoY) (Feb)	6.0%	6.4%
15.03.2023	07:30 AM	CNY	Industrial Production (YoY) (Feb)	2.6%	1.3%
	03:30 PM	GBP	Spring Forecast Statement		
	06:00 PM	USD	Core Retail Sales (MoM) (Feb)	0.2%	2.3%
		USD	PPI (MoM) (Feb)	0.3%	0.7%
		USD	Retail Sales (MoM) (Feb)	-0.3%	3.0%
	08:00 PM	USD	Crude Oil Inventories		-1.694M
16.03.2023	06:00 PM	USD	Building Permits (Feb)	1.328M	1.339M
		USD	Initial Jobless Claims	205K	211K
		USD	Philadelphia Fed Manufacturing Index (Mar)	-14.5	-24.3
	06:45 PM	EUR	Deposit Facility Rate (Mar)	3.00%	2.50%
		EUR	ECB Marginal Lending Facility		3.25%
		EUR	ECB Monetary Policy Statement		
		EUR	ECB Interest Rate Decision (Mar)	3.50%	3.00%
	07:15 PM	USD	ECB Press Conference		
17.03.2023	03:30 PM	EUR	CPI (YoY) (Feb)	8.5%	8.5%

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