

Currencies Weekly Report

Week of 26.07.2021

www.phillipforex.in

July 26, 2021

Global Economic Review & Outlook

Delta is a major concern across the world, but judging from the case to hospitalization ratio, it seems as if the crisis is almost already over. Vaccines effectively shield against severe illness. Central banks will conclude the same soon, even if the initial reaction to Delta is clearly dovish. Spain is currently highlighted as THE risk case of the Euro zone. We are yet to see a pick-up in hospitalizations but it is likely to keep markets busy at least another few weeks until a confirmation of few hospitalizations and relatively limited restrictions is in place.

In countries, with a weak or no vaccination program, Delta is likely to become a pain with Australia and Asian countries as clear examples. Asia did well as a region when containment measures were the name of game, but they lag severely behind now in vaccination. When delta-fears hit markets, haven flows tend to strengthen the USD, while EM inflows are subdued. Subsequently, USD strengthens which often results in a slowing growth momentum in the EM space. Spillovers to developed market growth cannot be neglected, which is particularly true when China is slowing as is currently the case. This is probably the main reason behind the lower long bond yields, if it is not driven by early tapering prospects from the Fed. The Chinese credit impulse has played an important role in the global market. When Chinese credit rolls-over, it is time to buy USD and longer-dated bonds with a time lag. This may be exactly what is happening currently, potentially sparked by the early tapering process from the Fed.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	14837.00	14427.20	2.84
DOW JONES	35061.69	34687.85	1.08
NIKKEI	27548.00	28003.08	-1.63
HANGSENG	27321.98	28004.68	-2.44
CAC	6568.82	6460.08	1.68
DAX	15669.29	15540.31	0.83
FTSE	7027.58	7008.09	0.28
FX	Last Close	Previous Week	% CHANGE
DX	92.93	92.69	0.26
EURUSD	1.1771	1.1803	-0.27
GBPUSD	1.3746	1.3765	-0.14
USDJPY	110.54	110.02	0.47

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.7902	74.8596	--	74.3679	74.4262
EURINR	88.2719	88.2031	--	87.7219	87.6076
GBPINR	102.8425	102.2313	--	102.1076	102.3787
JPYINR	68.02	68.36	--	67.51	67.49

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.9150	75.4100	76.2150	77.0550	78.0050
Tuesday	74.6450	75.1450	75.9500	76.7900	77.7400
Wednesday	--	--	--	--	--
Thursday	74.4775	74.9575	75.7550	76.5900	77.5700
Friday	74.4100	74.8800	75.6650	76.5050	77.4800

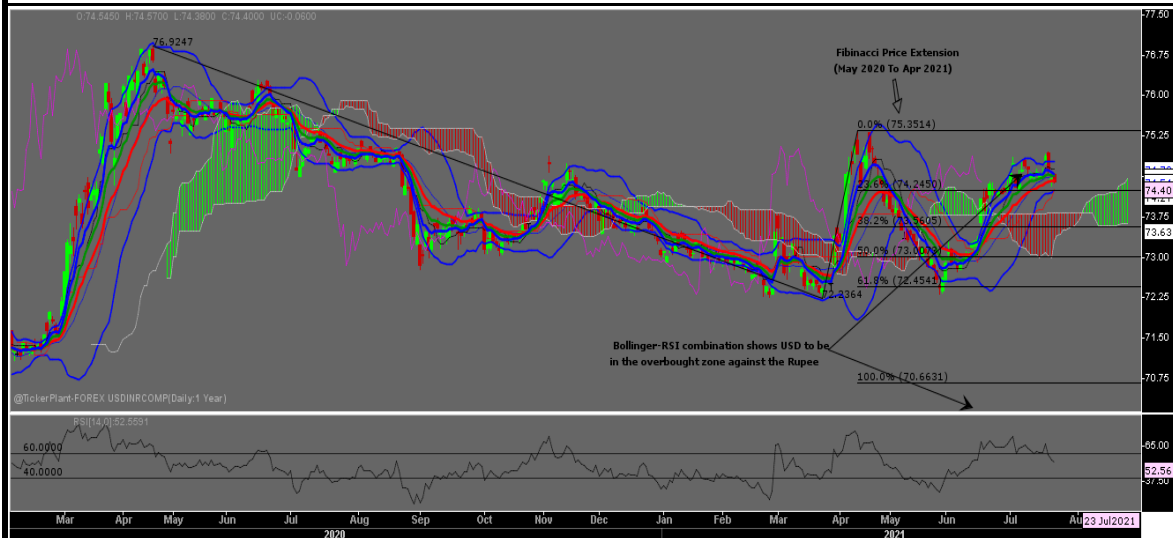
Dollar Outlook

The US Dollar has overcome bears & doubters, and even negative seasonal trends as it sailed higher through July. Despite the pullback in US Treasury yields and Fed rate hike expectations, the dollar has majorly benefited from delta variant concerns elsewhere around the world.

The US is offering relatively higher growth rates in the near-term as parts of Asia, Australia, and Europe move back towards lockdowns.

Falling yields coupled with dampened Fed rate hike odds, in the past, have created a difficult trading environment for the Dollar. The current difficult environment suggests, a more significant shift in capital is occurring globally: US equities are up, bond prices are up (yields down), and DXY is trading higher.

Before the June Trade Balance, July FOMC meeting & Fed Chair Powell's press conference on Wednesday we have new home sales data on Monday & June durable goods orders on Tuesday. Q2 GDP report & Jobless claims will be released on Thursday followed by June PCE price index & personal income and personal spending data on Friday. Many high rated economic releases this week.



The USDINR Daily chart indicates the Dollar has almost recovered from the continued depreciation versus the Rupee since 2nd half of April 21.

Fibonacci price extension drawn for the period May 2020-Apr 2021 shows the pair, after testing the 61.8% Fibo major level of 72.45, has bounced back to test the psychological resistance around 75.00.

The Bollinger-Rsi combination showed the pair had reached its overbought zone and the prices fell below the 8-13-20 EMAs to now approach the 23.6% Fibo support of 74.25.

A breach of 74.25 will lead to further downside to the next Fibo support of 38.2% at 73.55.

Pullbacks towards 73.50/30 will see heavy buying in the pair for it to push again towards 74.25 going forward.

This week, USD looks due for correction even slipping below 74.25 to test 72.80 against the Dunge

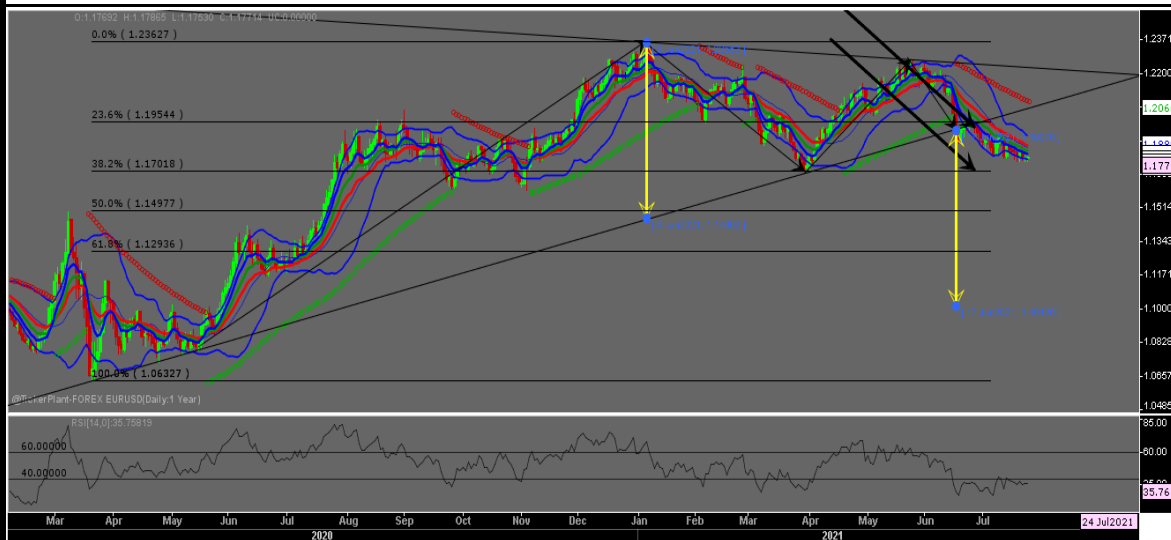
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 74.50/70 SL 75.10 TGT 74.20-73.95								73.80 - 74.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.69	73.32	73.94	74.17	74.56	74.79	75.18	75.81	76.43	
Exporters Strategy	Exporters were suggested to hedge their July exposure around 74.30, 74.50 and 74.80.										
Importers Strategy	Importers were suggested to maintain strict Stops above 75.00 Spot for all July payables and target 74.40 & 74.25 for hedging July payables partially. 74.40 has been triggered.										

Euro Outlook

The ECB's Governing Council proved just as dovish as expected last week, adding to a decline in EUR/USD that started before the announcement and continued after it. Further losses are likely over a week packed with important EZ data ranging from Germany's Ifo index to GDP, inflation and unemployment.

The coming week is full of high-impact market-moving economic data from the EZ and, ahead of it, the slide in EUR/USD is most likely to continue. The data releases are mostly due towards the end of the week, but last week's policy statement by the ECB was so dovish that further losses in Euro are very likely.

The ECB and its President Lagarde made it clear that Eurozone monetary policy will remain highly accommodative for the foreseeable future, with its deposit rate not rising from minus 0.5% until inflation hits 2.0% and stays there. It would allow “a transitory period” in which inflation is slightly above its new 2% inflation target, the ECB said, which reinforces the view, ECB will be one of the last major central banks to tighten monetary policy and that the Euro could therefore remain weak not just against the Dollar but all round.



The EURUSD Daily chart indicates the Euro has clearly halted earleir after finding a Triangle resistance around 1.2266 and has even breached the lower end of the triangle in second half of June to move even lower to 1.1750 last week, where it tested the lower end of the Bollinger bands while the RSI read around 35.

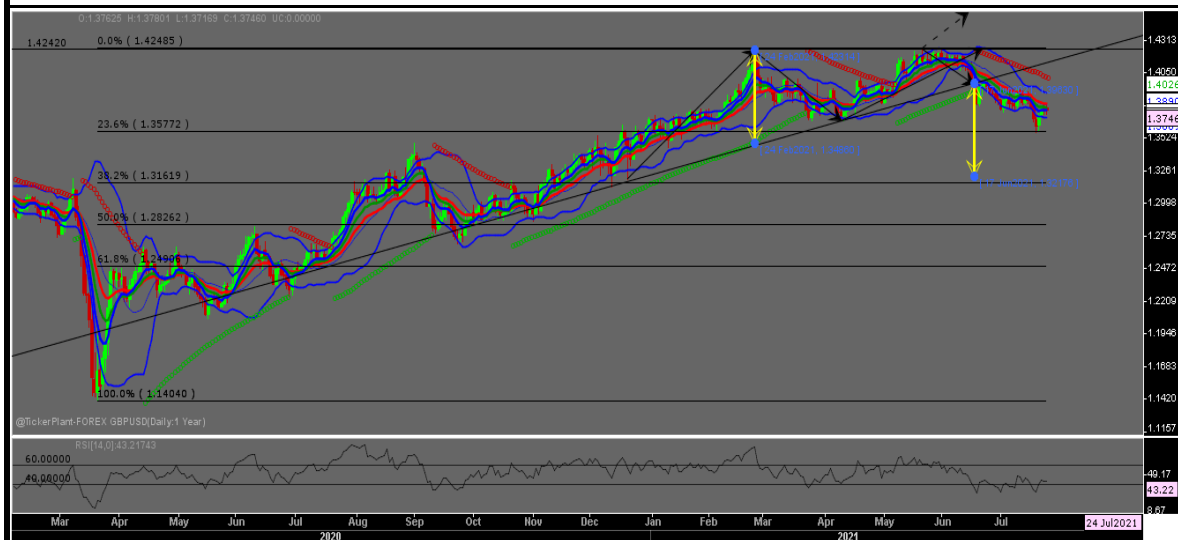
The Euro was forced to trade below the 8-13-20 EMAs last week, which suggests EURUSD to further trade lower moving downward to test 1.17 which is the 38.2% Fibo support level. The pair is still bearish in the longer term after it breached the Triangle support, indicating a continued weakness in the pair for a target below 1.13 in the longer term.

A breach below 1.17 which also is a multiple support level will confirm further downtrend in EURUSD for target of 1.15 which is the 50% Fibo support level.

This week one can go short around 1.18 for targets of 1.17.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.1800-1.1820 SL 1.1850 TGT 1.1700				Sell 87.80-88.10 SL 88.60 TGT 87.00				1.1700-1.1820 87.00-88.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		85.25	86.10	86.96	87.25	87.81	88.11	88.67	89.52	90.38	
Exporters Strategy	Exporters were advised to hedge 50% around 88.50 & maintain strict stops at 87.80 on Spot for the remaining 50% of the July exposure. Stop triggered for pending open exposure.										
Importers Strategy	Importers were suggested to hedge 50% at 88.30 on Spot & maintain stops above 88.80 for remaining of their July exposures and keep booking in parts around 88.										

British Pound Outlook



The GBPUSD Daily chart indicates the Pound had faced strong resistance around 1.42 and had earlier breached the ascending triangle support at 1.3965 to test lows of 1.3730 at start of July. The pair earlier had been held back near the supports of Lower Bollinger band, following which it saw a recovery to rise above the 8-13-20 EMAs but couldn't sustain above these EMAs past week. Last week, GBPUSD even slipped below the lower Bollinger to test the 23.6% Fibo support at 1.3577 to make a low of 1.3567 but recovered sharply in the 2nd half to rise near the 20 D-EMA. This week the pair finds a strong resistance at the 20 D-EMA around 1.38 breaching which it may further rise to the upper Bollinger placed around 1.39.

The pair however is still bearish in longer term after it has breached the triangle pattern in the downside.

Levels near 1.39 can see fresh selling going forward in near term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.37 SL 1.3650 TGT 1.3800-1.3830				Buy 102 SL 101.60 TGT 102.80				1.3700-1.3850 101.80-102.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		98.82	99.98	101.13	101.67	102.29	102.82	103.45	104.61	105.76	
Exporters Strategy	Exporters were suggested to hedge their July exposure partially (50%) around 103.50 pending to be held open with Stops below 102.50. Stop triggered for pending open exposure.										
Importers Strategy	Importers were suggested to target levels near 102.50 to hedge their July exposure partially (triggered). Pending exposure to be held open with Stops above 102.80 targetting 102 to cover fully.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
26.07.2021	01:30 PM	EUR	German ifo Business Climate	102.3	101.8
	04:30 PM	GBP	MPC Member Vlieghe Speaks		
27.07.2021	01:00 PM	JPY	BOJ Gov Kuroda Speaks		
	07:30 PM	USD	CB Consumer Confidence	124.2	127.3
28.07.2021	08:00 PM	USD	Crude Oil Inventories		2.1M
	11:30 PM	USD	FOMC Statement		
		USD	Federal Funds Rate	<0.25%	<0.25%
29.07.2021	12:00 AM	USD	FOMC Press Conference		
	06:00 PM	USD	Advance GDP q/q	8.5%	6.4%
		USD	Advance GDP Price Index q/q	5.4%	4.3%
		USD	Unemployment Claims	375K	419K
	07:30 PM	USD	Pending Home Sales m/m	0.4%	8.0%
30.07.2021	01:30 PM	EUR	German Prelim GDP q/q	2.1%	-1.8%
	06:00 PM	USD	Core PCE Price Index m/m	0.6%	0.5%
	07:15 PM	USD	Chicago PMI	62.9	66.1
	07:30 PM	USD	Revised UoM Consumer Sentiment	80.8	80.8

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.