

# Currencies Weekly Report

Week of 30.08.2021

## Global Economic Review & Outlook

There are a number of warnings worth mentioning. First off, the delta virus debate is roaring, and vaxxers are battling anti-vaxxers across social media. While there are signs US case growth may already be peaking, it is too early to know for sure. And gauging from developments in heavily vaccinated Iceland and Israel, it is obvious that vaccinations failed to do much to prevent the virus from spreading.

Secondly, it is believed labour supply is currently held back by generous jobless benefits, which are scheduled to end on 6 September. An end of these benefits will invariably cause billions of reduced spending in September and October.

It was a surprise when the ECB chief economist Lane suddenly admitted to the ECB following financial conditions on the loose side and not only on the tight side. Meaning, Lane basically promised to calibrate the QE program to financial conditions BOTH in an upwards and in a downwards direction, which currently means that the recent new all-time lows seen in EUR real rates could be used as an argument to reduce PEPP-purchases a bit maybe already in September. The ECB will never explicitly call it tapering, rather just technical adjustments to the program.

Lane was almost more concrete than Powell was at the virtual Jackson Hole, as it's still unclear what exact measures or thresholds could lead the Fed to finalise on tapering, even if it remains a base case for the FOMC this year. May be 800k-1000k monthly job reports over the coming months are what they await, but it is still not an explicit target for the FOMC except for a few of the members of the rates committee.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	15129.50	14714.70	2.82
DOW JONES	35454.81	35118.64	0.96
NIKKEI	27641.14	27013.25	2.32
HANGSENG	25407.89	24849.72	2.25
CAC	6681.92	6626.11	0.84
DAX	15851.75	15808.04	0.28
FTSE	7148.01	7087.90	0.85
FX	Last Close	Previous Week	% CHANGE
DX	92.68	93.50	-0.88
EURUSD	1.1796	1.1699	0.83
GBPUSD	1.3754	1.3621	0.98
USDJPY	109.84	109.76	0.07

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.2765	74.1379	74.2992	74.2578	74.1332
EURINR	87.0105	87.0735	87.2436	87.3450	87.1984
GBPINR	101.4454	101.8833	101.9306	102.0639	101.5674
JPYINR	67.55	67.51	67.73	67.49	67.40

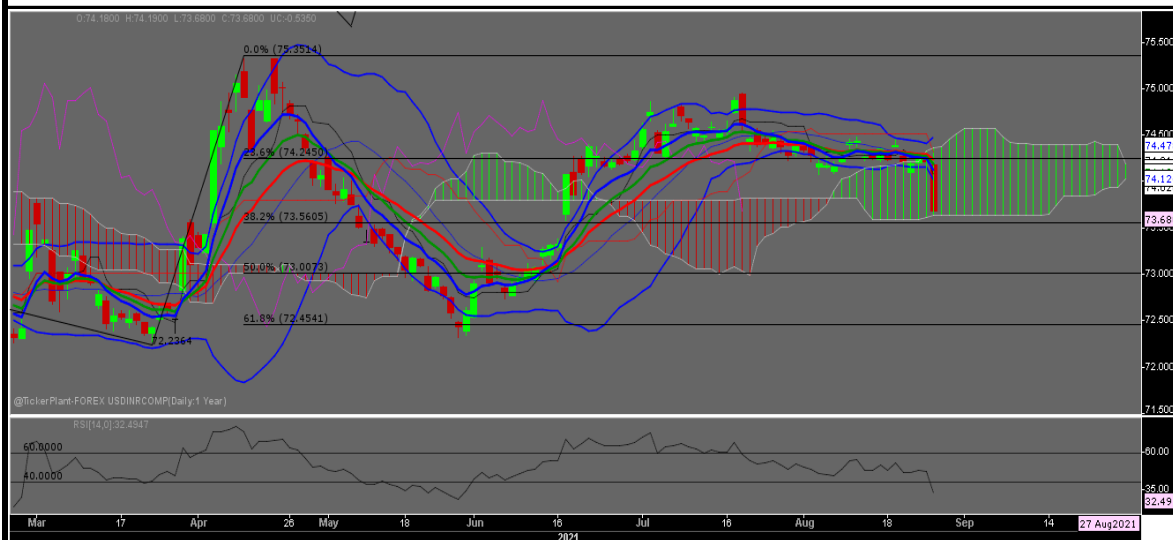
	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.4550	74.9300	75.6750	76.5850	77.3950
Tuesday	74.2125	74.6625	75.4175	76.2825	77.1075
Wednesday	74.2550	74.7050	75.4550	76.3300	77.1550
Thursday	74.2175	74.6500	75.3950	76.2800	77.1100
Friday	73.8800	74.3250	75.0600	75.9900	76.8300

## Dollar Outlook

The US Dollar Index settled near a fresh weekly low (92.66) as Chairman Powell acknowledged the “progress toward maximum employment” while speaking at the Economic Symposium, and indicated the FOMC could shift gears later this year “if the economy evolved broadly as anticipated.”

The comments suggest the FOMC will maintain its current stance at its next rate decision on Sept. 22 as the Fed now has an outcome-based approach, and it seems as though the Fed will wait for a further improvement in the labor market before deploying an exit strategy as Powell insists that “we have much ground to cover to reach maximum employment.”

In turn, a downtick in ISM Manufacturing survey along with a slowdown in the US Non-Farm Payrolls report may pull the Dollar further lower as it warns of a less robust recovery, but positive developments may lead to a bullish reaction in the Dollar as it puts pressure on FOMC to normalize monetary policy sooner. With that said, the key US data prints on tap for the start of September are likely to influence the near-term outlook for the Dollar even though Fed officials show a greater willingness to switch gears as the central bank sticks to an outcome-based approach for monetary policy.



The USDINR Daily chart indicates the Dollar after being sluggish and renegebound between 74.00 & 74.50 for more than a month slipped below the 23.6% Fibo preice extension around 74.25, deep into the bullish ichimoku cloud, approaching the next Fibo support 73.55.

The pair also continues to trade below the bearish crossover of the 8-13-20 EMAs.

The Bollinger-Rsi combination however, shows the pair is oversold and is expected to reverse while taking support near the Ichimoku cloud bottom.

USDINR if manage to hold 73.50 which also is a psychological support, might see an upmove back to 74.25 in the upcoming week.

For the week ahead, one can initiate longs in the pair around 73.50 with strict stops placed below 73.20.

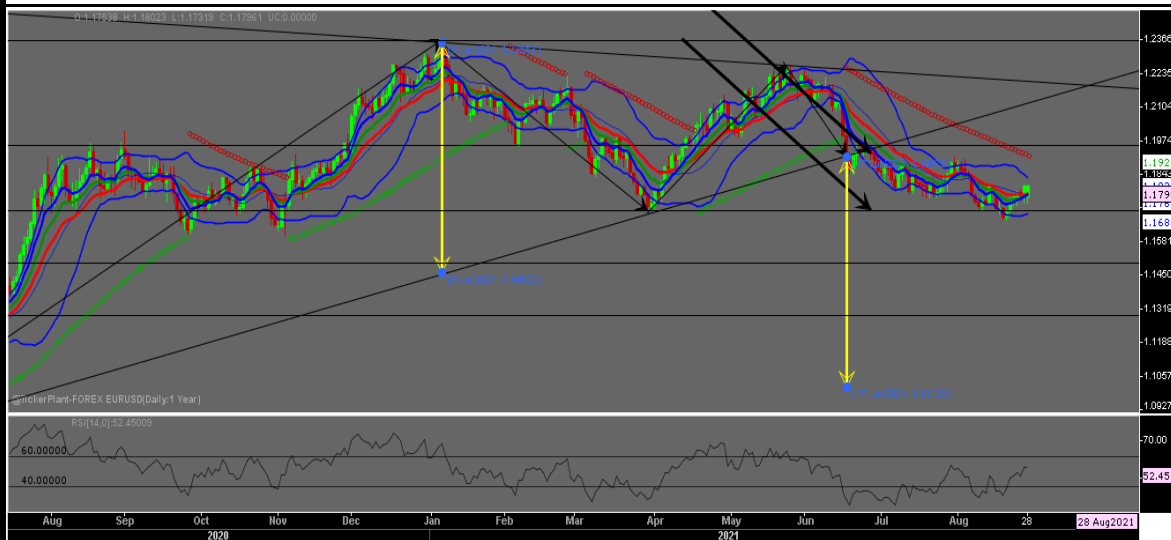
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 73.50 SL 73.20 TGT 73.90-74.10								73.50 - 74.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.00	72.63	73.26	73.47	73.89	74.10	74.52	75.15	75.78	
Exporters Strategy	Exporters are suggested to hedge their September exposure partially around around 74.20 Spot. Pending to be held open with Stops below 73.20 Spot.										
Importers Strategy	Importers are suggested to hedge 50% September payables at 73.50 Spot. Pending to be held open with Stops above 74.20 Spot.										

## Euro Outlook

A late Friday surge in EURUSD as Powell's much anticipated Jackson Hole speech did not give a clear signal for tapering. In turn, the USD saw a typical "buy the rumour, sell the fact" type of trade pushing EURUSD to test 1.1800.

That being said, while there was a lack of a signal, Chair Powell did confirm that it may be appropriate to taper this year, which will be contingent on the upcoming key data releases, most notably next week's jobs report. A figure similar to the prior two reports (850k in June and 943k in July), will likely indicate of having achieved significant progress on the jobs front and thus limiting the upside for the Euro against the Dollar.

While German data will be watched on the week ahead, tier 1 US data the ISM prints and the NFP report will be of much more importance comparatively. Although, with German CPI to be released next week, it is worth mentioning that the latest ECB minutes signaled that there are upside risks to the Bank's inflation forecasts.



The EURUSD Daily chart indicates, the Euro after finding a Triangle resistance around 1.2266 slipped, to even breach lower end of triangle to move even lower below 1.17 last week.

Euro continued to trade weak against Dollar holding below the 8-13-20 EMAs most of the last week but closed above the EMAs on Friday.

The pair recovered from the dip below the 38.2% Fibo support at 1.17 in the past week, thus moving further close to the Upper Bollinger Band resistance at 1.1830.

The pair which continues to be bearish in the long term can also be sold off around 1.1830 for weekly targets of 1.1750.

1.1950 which is the 23.6% Fibo resistance confirms to be a long term resistance in the pair while it approaches the 50% Fibo support at 1.15.

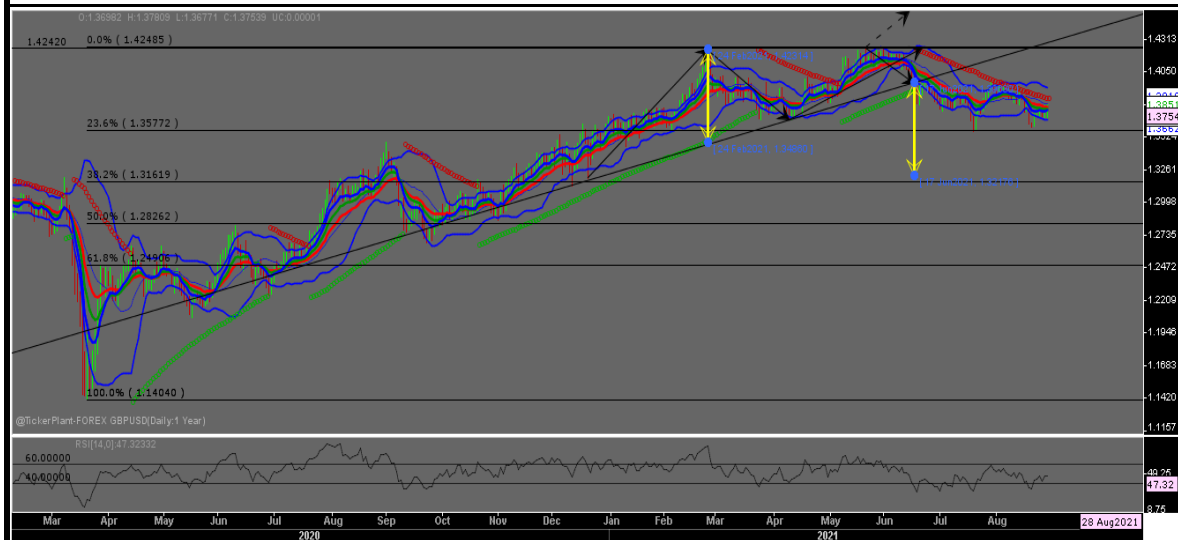
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.1830 SL 1.1870 TGT 1.1760-1.1730					Sell 87.20-87.50 SL 87.80 TGT 86.40-86.20			1.1700-1.1850   86.00-87.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.50	85.29	86.08	86.36	86.88	87.15	87.67	88.46	89.25	
Exporters Strategy	Exporters are advised to hedge 50% around 87.50 & maintain strict stops at 86.00 on Spot for the remaining 50% of the September exposure.										
Importers Strategy	Importers are suggested to hedge 50% at 86.80 on Spot & maintain stops above 88.00 for pending September exposure.										

## British Pound Outlook

The Anti-Hawkish U.S. Fed supported the Pounds upmove late on Friday. Most of the price action in the GBP was due to weakness in the Dollar. Going forward, in the upcoming week too, the Pound would be dependent on the economic data releases in the U.S. & The Eurozone and not on its domestic events much.

It's a quiet week ahead on the economic calendar. Finalized private sector PMIs for August are due out on Wednesday and Friday. Expect any revision to the services PMI to be key.

The Inflation numbers along with a few other important releases in the UK that are scheduled around Mid of September shall contribute to the Monetary Policy meeting scheduled 23 Sept. just a day after the FED rate decision.



The GBPUSD Daily chart indicates the Pound had faced strong resistance around 1.42 and had earlier breached the ascending triangle support of 1.3965 to test lows of 1.3730 at start of July. The pair earlier had been held near the 23.6% Fibo supports of 1.3575, following which it saw a recovery till 1.3980 and slipped yet again to test the 23.6% Fibo supports recently. GBPUSD recovered from around those levels the last week to rise back to levels near the 20 Day EMA and settled around the same. The pair now finds a strong resistance between 1.3850 (Bearish Parabolic SAR) and 1.3930 (Bollinger Upper band) holding which it may fall back to 1.3575 and lower to 1.35 in near term. The pair continues to be bearish in longer term after it has breached the triangle pattern in the downside for targets of 1.3160. This week one can initiate shorts around 1.3850 in the pair.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.3820-1.3850 SL 1.3880 TGT 1.3700				Sell 101.80 SL 102.30 TGT 100.80				1.3650-1.3850   100.60-101.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.89	99.06	100.23	100.63	101.40	101.80	102.57	103.74	104.91	
Exporters Strategy	Exporters are suggested to hedge their September exposure partially (50%) around 102. Pending to be held open with Stops below 100.50.										
Importers Strategy	Importers are suggested to target levels near 101 to hedge their September exposure partially. Pending exposure to be held open with Stops above 103.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
30.08.2021	07:30 PM	USD	Pending Home Sales m/m	0.5%	-1.9%
31.08.2021	06:30 AM	CNY	Manufacturing PMI	50.2	50.4
	07:15 PM	USD	Chicago PMI	68.0	73.4
	07:30 PM	USD	CB Consumer Confidence	123.3	129.1
01.09.2021	01:25 PM	EUR	German Final Manufacturing PMI	62.7	62.7
	All Day	All	OPEC Meetings		
	All Day	All	OPEC-JMMC Meetings		
	05:45 PM	USD	ADP Non-Farm Employment Change	650K	330K
	07:30 PM	USD	ISM Manufacturing PMI	58.7	59.5
	08:00 PM	USD	Crude Oil Inventories		-3.0M
	09:30 PM	USD	FOMC Member Bostic Speaks		
02.09.2021	12:30 PM	EUR	Spanish Unemployment Change		-197.8K
	06:00 PM	USD	Unemployment Claims	349K	353K
	10:30 PM	USD	FOMC Member Bostic Speaks		
03.09.2021	06:00 PM	USD	Average Hourly Earnings m/m	0.3%	0.4%
		USD	Non-Farm Employment Change	750K	943K
27.08.2021		USD	Unemployment Rate	5.2%	5.4%
	07:30 PM	USD	ISM Services PMI	62.2	64.1

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