

# Currencies Weekly Report

Week of 07.06.2021

## Global Economic Review & Outlook

Earlier, at the beginning of last week, markets were all on their toes set for the economic data releases in the U.S. expecting a rosy picture for the US Dollar. The week began so with the Dollar lifting up from its multimonth lows against peers. The manufacturing & services PMIs in the U.S. were ahead of expectations, with the ADP Non-farm employment data way too stronger than forecasts and unemployment claims falling. Dollar bulls gained enough confidence the Friday NFP data too would beat the forecasts and it was only to their surprise the data release did not actually meet the expectations and we saw the DXY losing ground on the weekend.

Lately, rising U.S. inflation has been the main concern for markets. The US economy is likely to get back on track and last Friday's job report confirmed a declining unemployment rate and a cheque-fueled increase in wage growth.

Yet the inflation numbers have more to tell and we are well aware the used cars and rent of shelter components are worth watching, over the coming months.

Looking ahead to next week, much of the focus will be on Thursday's line up of key risk events with both the ECB decision and US CPI report scheduled.

While the ECB Governing Council remains divided, the majority is likely to favour a decision to continue buying bonds at close to the current pace, as the recovery is not yet on a solid footing.

These expectations can already be seen fructifying as shown by fall in longer government bond yields and the contraction in intra-Euro-area bond spreads.

| INDICES   | Last Close | Previous Week | % CHANGE |
|-----------|------------|---------------|----------|
| NASDAQ    | 13814.49   | 13748.74      | 0.48     |
| DOW JONES | 34756.39   | 34529.45      | 0.66     |
| NIKKEI    | 28941.52   | 29149.41      | -0.71    |
| HANGSENG  | 28918.10   | 29124.41      | -0.71    |
| CAC       | 6515.66    | 6484.11       | 0.49     |
| DAX       | 15692.90   | 15519.98      | 1.11     |
| FTSE      | 7069.04    | 7022.61       | 0.66     |
| FX        | Last Close | Previous Week | % CHANGE |
| DXY       | 90.14      | 90.03         | 0.12     |
| EURUSD    | 1.2166     | 1.2189        | -0.19    |
| GBPUSD    | 1.4154     | 1.4184        | -0.21    |
| USDJPY    | 109.52     | 109.83        | -0.28    |

|        | RBI Reference Rate |          |           |          |          |
|--------|--------------------|----------|-----------|----------|----------|
|        | MONDAY             | TUESDAY  | WEDNESDAY | THURSDAY | FRIDAY   |
| USDINR | 72.5211            | 72.7714  | 73.2088   | 73.1197  | 73.0266  |
| EURINR | 88.4216            | 88.9587  | 89.4241   | 89.1407  | 88.4459  |
| GBPINR | 102.8678           | 103.4906 | 103.6324  | 103.4653 | 102.9636 |
| JPYINR | 66.08              | 66.48    | 66.72     | 66.59    | 66.25    |

|           | USDINR Forward Rates (Month End) |         |         |         |          |
|-----------|----------------------------------|---------|---------|---------|----------|
|           | 1 Month                          | 3 Month | 6 Month | 9 Month | 12 Month |
| Monday    | 72.9050                          | 73.5950 | 74.5650 | 75.4550 | 76.4150  |
| Tuesday   | 73.1300                          | 73.7800 | 74.7000 | 75.5800 | 76.5200  |
| Wednesday | 73.2950                          | 73.9050 | 74.7650 | 75.6150 | 76.5300  |
| Thursday  | 73.0475                          | 73.5475 | 74.3075 | 75.1175 | 75.9975  |
| Friday    | 73.1250                          | 73.6450 | 74.4450 | 75.2650 | 76.1450  |

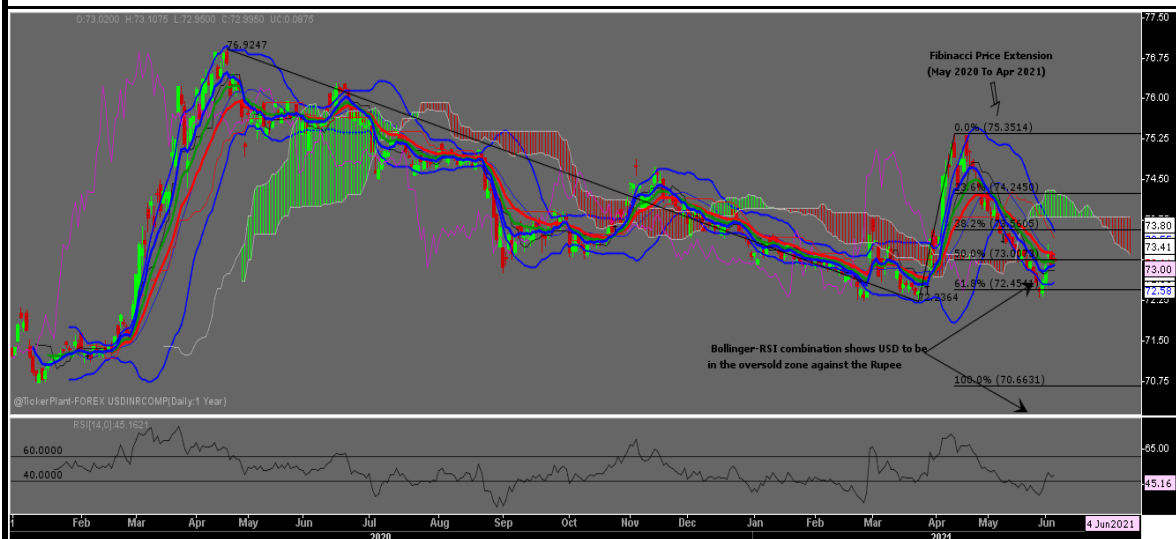
## Dollar Outlook

The U.S. jobs report was a major disappointment and the U.S. dollar fell sharply against all of the major currencies in response as 10-year Treasury yields slipped nearly 4%.

Despite widespread reopenings, job creation did not live up to lofty expectations. Payrolls rose by only 559,000 against expectations for a 671,000 increase. This recent jobs report clearly indicates there wont be any talks held to discuss tapering of asset purchase during the 16th June Fed Policy meeting.

The rise in stocks, sell-off in the U.S. dollar and Treasury yields tell a consistent story of low interest rates. Data showed labor market is moving in the right direction, which is positive for stocks.

The unemployment rate also fell to 5.8% from 6.1%, while average hourly earnings growth accelerated by 0.5%, which was stronger than expected. Even if the Dollar does not find ground domestically, conditions for Euro & GBP too are not so good.



The USDINR Daily chart indicates the Dollar has been in a continued depreciating mode versus the Rupee since 2nd half of April 21 after making a Double Top at 75.32 in 3rd Week April. The 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 a week earlier has bounced back to trade above the 50% Fibo retracement at 73.00 in the last week and has managed to close around the same. As predicted in the last report, the Bollinger-Rsi combination shows the pair is in its oversold zone and has seen a reversal only to move up to 73.30-73.50 zone where the 20-day EMA lies.

In the week ahead, USDINR Spot might see a continued upward move if it sustains the 20-day EMA at 73.10 to rise to the 38.2% Fibb retracement of 73.55.

| Weekly Bias        | Weekly Trading Strategy (SPOT)   |       |       |       |       |       |       |       | Weekly Range  |       |  |
|--------------------|--|-------|-------|-------|-------|-------|-------|-------|---------------|-------|--|
| Bullish            | Buy 72.90/80 SL 72.40 TGT 73.40-73.80  |       |       |       |       |       |       |       | 72.50 - 73.80 |       |  |
| Pivot Levels       |  | S4    | S3    | S2    | S1    | Pivot | R1    | R2    | R3            | R4    |  |
|                    |  | 70.02 | 70.97 | 71.92 | 72.46 | 72.88 | 73.41 | 73.83 | 74.78         | 75.73 |  |
| Exporters Strategy | Exporters are suggested to maintain stop for any unhedged June receivables at 72.00 (SPOT). Most exposure has already been advised to be covered in April.         |       |       |       |       |       |       |       |               |       |  |
| Importers Strategy | Importers wre suggested to hedge 60% exposure for June at around 72.40 (SPOT) levels & maintain stops at 73.00 for for the remaining 40% which has been triggered. |       |       |       |       |       |       |       |               |       |  |

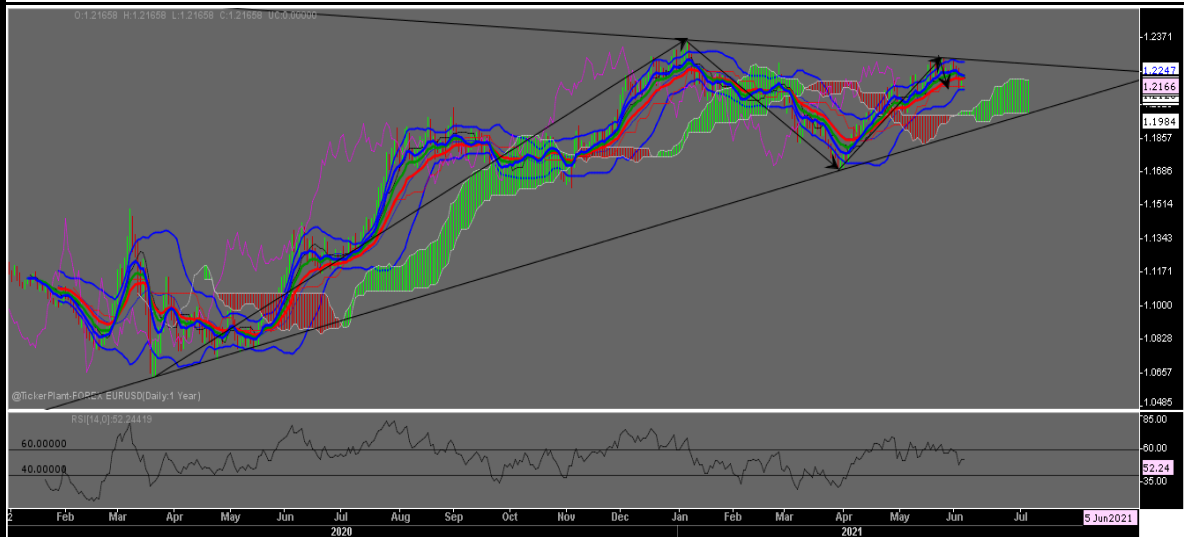
## Euro Outlook

The only thing traders want to know from the ECB's meeting this Thursday is that when will it begin tapering its monetary-stimulus programs. Sadly, they will mostly be left disappointed, by the post-meeting statement and by President Lagarde at her subsequent press conference.

The ECB seems keen to avoid all mention of withdrawing stimulus as even discussing it will raise Eurozone bond yields and damage the bloc's recovery from the slump caused by pandemic. In due course it will have to, but this month is too early so instead traders will be focusing on the ECB staff's projections for inflation, which also is expected to be with only limited changes.

A sharp increase in projected inflation, however, might have only a modest impact on EURUSD, but it would at least halt last week's downturn.

We see the EUR/USD falling, as US inflation pressures clearly outpace the Euro-area ones and the Fed will likely shift its tone much faster than the ECB.



The EURUSD Daily chart indicates the Euro has been in a continued appreciating mode versus the Dollar since beginning of April 21 after finding a strong support at 1.17 at the end of March, which, however, has now halted earleir and also in the past week after finding a Triangle resistance around 1.2266.

The pair also slipped below the 8-13-20 EMAs but somehow managed to close near the 20-day EMA.

The Bollinger-RSI combination already shows the pair is overbought in the near term and as mentioned in reports earlier, might see corrections.

1.20 shall act as a strong support in longer term and any corrections near 1.2050/60 shall see good buying.

This week, we expect further correction in the Euro and any rise around 1.2220/40 should be used to go short on the pair for targets of 1.2120 & 1.2060.

| Weekly Bias        | Weekly Trading Strategy (SPOT)   |       |       |       |  |       |       |       | Weekly Range                |       |  |
|--------------------|--|-------|-------|-------|--|-------|-------|-------|-----------------------------|-------|--|
| Bearish            | Sell 1.2240/20 SL 1.2260 TGT 1.2120-1.2060   |       |       |       | Sell 88.80/70 SL 89.00 TGT 87.80-87.40 |       |       |       | 1.2060-1.2260   87.40-89.00 |       |  |
| Pivot Levels       |  | S4    | S3    | S2    | S1                                     | Pivot | R1    | R2    | R3                          | R4    |  |
|                    |  | 84.81 | 86.12 | 87.43 | 87.94                                  | 88.74 | 89.25 | 90.05 | 91.36                       | 92.67 |  |
| Exporters Strategy | Exporters are advised to hedge 50% around 88.50 & maintain strict stops at 87.80 on Spot for the remaining 50% of the June exposure. |       |       |       |  |       |       |       |                             |       |  |
| Importers Strategy | Importers are suggested maintain stops at 88.90 on Spot targetting 87.80 to start partially hedging their June exposures.            |       |       |       |  |       |       |       |                             |       |  |

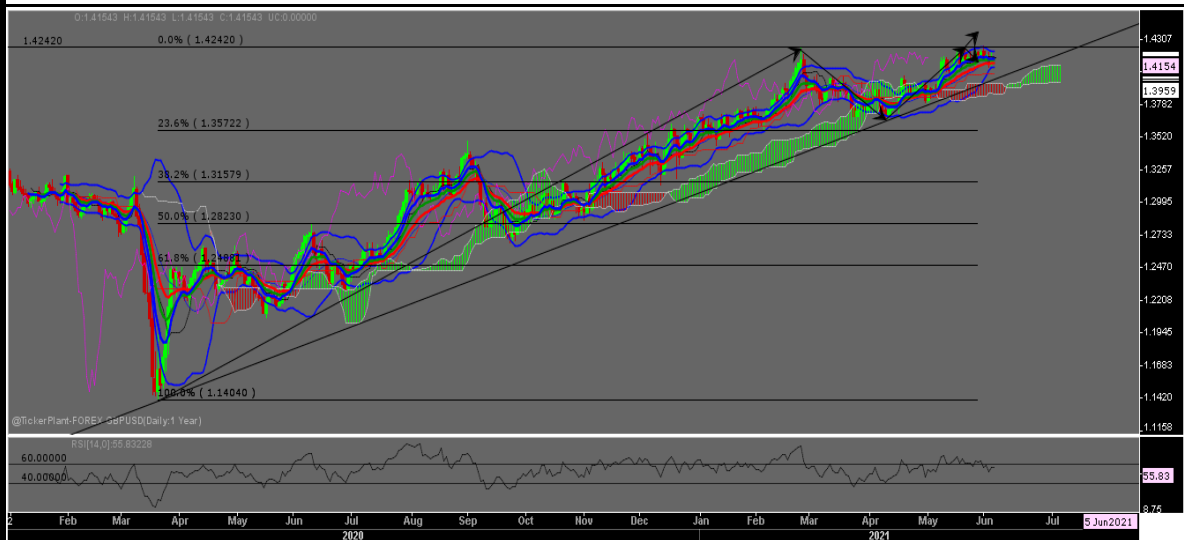
## British Pound Outlook

As the 21st of June comes closer, the full reopening in UK starts to worry health experts. The health experts are worried that not enough have received the second dose and a full reopening could lead to a huge setback and a new wave. The final decision of the reopening will be announced the 14th of June. It is worth to mention that the UK still keep their vaccination pace high. Furthermore, the J&J vaccine has now been approved in the UK.

The economic calendar is light for the Pound this week and the currency shall mostly be driven by movements in the Dollar.

The Sterling has been able to somehow hold onto gains after BoE's Vlieghe, gave rather hawkish comments having discussed conditions where a rate hike in

2022 may be appropriate. But going forward, it is for us to watch whether GBPUSD further moves up ahead of 1.42 or fall back to 1.40 levels.



The GBPUSD Daily chart indicates the Pound has gained an upward momentum since the Mid of April 21 and after being rangebound throughout April, has moved north but faces strong resistance around 1.42 and closed near the 8 & 13 EMAs which have almost converged to give a bearish crossover..

The pair in the past week seems to have been held back below the major resistance of the past of an ascending triangle pattern following which is now expected to see a correction in price to fall between the Ichimoku cloud support of 1.3950 and the ascending triangle support (bottom) around 1.3980.

The Bollinger-RSI combination indicates a correction is already initiated in the pair and might continue throughout the week ahead.

Suggest to go short on the pair with Stops placed above 1.4240 for targets of 1.4080 & 1.3990.

| Weekly Bias        | Weekly Trading Strategy (SPOT)  |        |        |        |  |        |        |        | Weekly Range                  |        |  |
|--------------------|---|--------|--------|--------|--|--------|--------|--------|-------------------------------|--------|--|
| Bearish-Sideways   | Sell 1.4170/90 SL 1.4250 TGT 1.4080-1.4000  |        |        |        | Sell 103.40/50 SL 103.80 TGT 102.70-20 |        |        |        | 1.3990-1.4200   101.80-103.80 |        |  |
| Pivot Levels       |   | S4     | S3     | S2     | S1                                     | Pivot  | R1     | R2     | R3                            | R4     |  |
|                    |   | 100.06 | 101.10 | 102.13 | 102.62                                 | 103.16 | 103.66 | 104.19 | 105.23                        | 106.26 |  |
| Exporters Strategy | Exporters wre suggested to hedge their June exposure partially (50%) around 103 earlier. Suggest pending to be booked at 103.50 Spot levels.    |        |        |        |  |        |        |        |                               |        |  |
| Importers Strategy | Importers are suggested to maintain a strict Stop above 103.80 on Spot targetting lower levels of 102.50 to start hedging their June exposure . |        |        |        |  |        |        |        |                               |        |  |

## Economic Data for the Week

| Date       | Time     | Currency | Data                          | Forecast | Previous    |
|------------|----------|----------|-------------------------------|----------|-------------|
| 09.06.2021 | 08:00 PM | USD      | Crude Oil Inventories         |          | -5.1M       |
|            | 10:31 PM | USD      | 10-y Bond Auction             |          | 1.68   2.5  |
| 10.06.2021 | 05:15 PM | EUR      | Monetary Policy Statement     |          |             |
|            |          | EUR      | Main Refinancing Rate         | 0.00%    | 0.00%       |
|            | 06:00 PM | EUR      | ECB Press Conference          |          |             |
|            |          | USD      | CPI m/m                       | 0.4%     | 0.8%        |
|            |          | USD      | Core CPI m/m                  | 0.4%     | 0.9%        |
|            |          | USD      | Unemployment Claims           | 370K     | 385K        |
|            | 10:31 PM | USD      | 30-y Bond Auction             |          | 2.40   2.20 |
| 11.06.2021 | 07:30 PM | USD      | Prelim UoM Consumer Sentiment | 84.0     | 82.9        |

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