

Currencies Weekly Report

Week of 28.11.2022

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Global Economic Review & Outlook

China is far from reopening but markets have found some comfort that the Fed will slow down its rate hike pace. Long term yields and the Dollar have taken another beating.

What we have been hearing from Fed policymakers of late is that the tempo of rate hikes is likely to slow in the coming meetings.

Euro is on course for best month since September 2010.

A somewhat softer reading from the US PMI figures was considered as another indicator pointing towards softer US activity.

The FOMC minutes from the November meeting too confirmed that there was “substantial” support among FOMC members to slow the interest rate hiking pace from 75bp to 50bp in December.

The minutes also revealed that rates would likely peak at a higher point than previously expected.

Rishi Sunak’s deputy has requested an independent investigation into complaints about his conduct during his time as foreign minister and justice minister and now a third complaint has been lodged.

UK retailers witnessed a Black Friday shopping that boosted spending ahead of the festive season during one of the worst cost of living crises the UK has seen.

In the week ahead, there is plenty of high importance US data to get markets moving after the Thanksgiving weekend.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11228.76	11146.06	0.74
DOW JONES	34346.83	33747.14	1.78
NIKKEI	28283.03	27899.77	1.37
HANGSENG	17573.58	17992.54	-2.33
CAC	6712.48	6644.46	1.02
DAX	14541.38	14431.86	0.76
FTSE	7486.67	7385.52	1.37
FX	Last Close	Previous Week	% CHANGE
DX	106.06	106.97	-0.85
EURUSD	1.0394	1.0325	0.67
GBPUSD	1.2087	1.1887	1.68
USDJPY	139.17	140.37	-0.86

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	81.7732	81.7742	81.8165	81.7655	81.5289
EURINR	84.0819	83.8611	84.4924	85.3125	84.8732
GBPINR	96.7731	96.8828	97.2635	98.8420	98.6576
JPYINR	58.18	57.66	57.88	58.86	58.79

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	81.8675	82.1900	82.7150	83.1150	83.5150
Tuesday	81.6900	82.0050	82.5150	82.9050	83.2950
Wednesday	81.8650	82.1775	82.6800	83.0650	83.4550
Thursday	--	--	--	--	--
Friday	81.6875	81.9800	82.4600	82.8450	83.2350

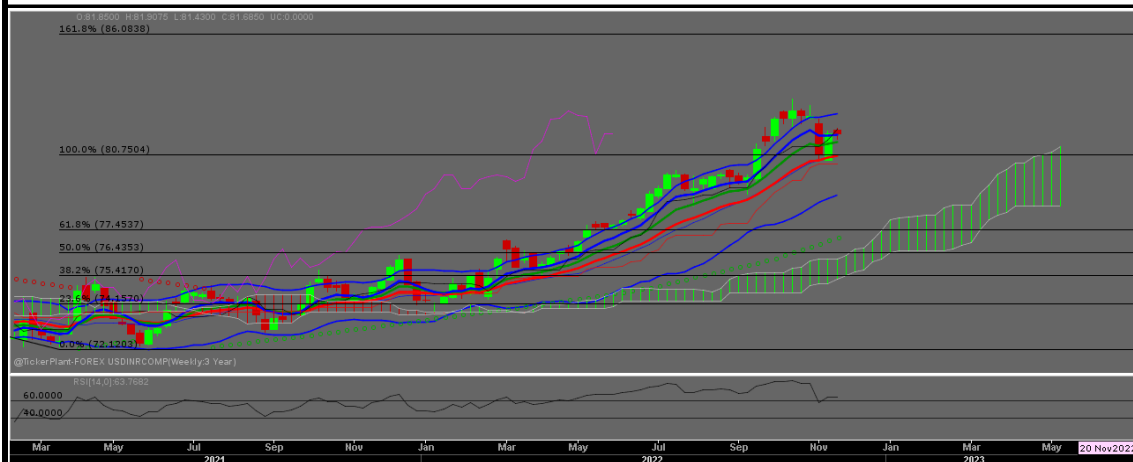
Dollar Outlook

The Federal Reserve may reduce the size of future interest rate hikes soon after ‘a substantial majority of participants judged that a slowing in the pace of increase would likely soon be appropriate’ according to the latest FOMC minutes. This slowdown, due to uncertain lags and effects of prior increases on economic activity, could also ‘reduce the risks of financial instability in the financial system’ while the balance of risks to the US economy is now ‘skewed to the downside’. After hiking interest rates by 75 bps at each of the last four FOMC meetings, the market now expects a 50bps hike at the mid-December meeting. Wall Street returns after the Thanksgiving holiday and we have a busy week in store.

The jobs report on Friday is the obvious highlight, with Fed policymakers keen to see further signs of inflationary pressures easing and less tightness in the labour market.

There's a streak of other data due this week as well including the core PCE price index – the Fed's preferred inflation measure, GDP, income, spending, jobless claims, etc. We'll also hear from Fed policymakers throughout the week including Chairman Powell on Wednesday.

A number of interesting economic releases are due in India too, including GDP on Wednesday and the manufacturing PMI on Thursday.



The USDINR Weekly chart indicates the pair, after testing levels near 83.25 earlier, has cooled off to spend much of the last week around 81.70.

The pair which was in an extremely overbought zone throughout Oct. has witnessed a sharp correction as expected in Nov.

Although, there has been a complete range shift in the pair in October, it is difficult to say if this 81-83.50 range would be sustained. 80.75 would act as a major support to USD for that matter.

USDINR has tested the Middle Bollinger with RSI at 60 and has managed to close above the 8-13-20 Weekly EMAs. However, in the week ahead the pair can face resistance around 81.80-82.00 again and drop down back to levels around 81.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways - Bearish	Sell 81.70-81.90 SL 82.20 TGT 81.40-80.70								80.70-82.10		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.24	80.72	81.20	81.44	81.67	81.92	82.15	82.63	83.11	
Exporters Strategy	Exporters were advised to hedge 50% of their November exposure around 82.50 Spot and 30% around 82.80 Spot. Pending was held open with Stops below 81.80. Stop Triggered.										
Importers Strategy	Importers were advised to hold November exposure open with Stop above 83.30 Spot. 50% booked around 81.80. Pending to be booked around 80.80.										

British Pound Outlook

Politics takes center stage once more as complaints mount against Deputy PM Dominic Raab.

PM Sunak will deliver the judgement whether Raab breached the ministerial code and thus far no timeline has been provided for the verdict.

The UK has repaired some of its tarnished reputation in recent weeks but the economy is still likely in recession and it won't be an easy road back. There isn't much data next week to support or refute that but there are appearances from various BoE policymakers that will be of interest.

The UK Manufacturing PMI is the only important data due to be out from the UK but is still not a major currency driver.

The pound has enjoyed a splendid November, gaining 5.3%. The upswing has been impressive but is more a case of a broad pullback in the Dollar rather than newfound strength in the Pound. The UK economy is likely in a recession, and the outlook is still gloomy.

The October Manufacturing and Services PMIs were stuck in negative territory, pointing to contraction. The labour market has been a bright spot but that could soon change, with the BoE projecting that unemployment will double to 6.5%. The UK economy declined by 0.2% in Q3, and the BoE has warned that negative growth will extend to H1 2024. With these economic headwinds, it's difficult to gauge further moves in the Pound.



The GBPUSD Weekly chart indicates the pair has been on a strong recovery recently, where it has breached the 8-13-20 Weekly EMAs to test the Upper Bollinger band.

The Upper Bollinger happens to lie close to the 100% Fibo retracement at 1.2145, which the pair has tested last week and further, might act as a strong resistance.

The RSI although has moved up, to cross 40 recently, it is to be seen if it is able to hold above 40 in the near future.

Also, a resistance at 1.2145 could lead to a fresh sell-off in the pair leading it back towards the Lower Bollinger band at 1.10.

However, In the week ahead, going with the prevailing upward momentum we suggest to go long in the pair around 1.19 targetting levels close to 1.22 with a strict Stop below 1.18.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish - Sideways	Buy 1.20-1.19 SL 1.18 TGT 1.22-1.23				Buy 98.00-97.50 SL 96.50 TGT 99.60-100.50				1.1900-1.2300 97.50-100.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		90.55	93.05	95.55	97.17	98.05	99.67	100.55	103.05	105.55	
Exporters Strategy	Exporters were advised to hedge their November exposure partially (50%) around 96 Spot. Pending hedged around 97.50 Spot.										
Importers Strategy	Importers were advised to hedge partially (50%) near 94.50 Spot for November exposure and 30% around 93.00. Pending to be held open with Stop above 95.50 Spot. Stop Triggered.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
29.11.2022	06:30 PM	EUR	German CPI (YoY) (Nov)	10.3%	10.4%
	08:30 PM	USD	CB Consumer Confidence (Nov)	100.0	102.5
30.11.2022	07:00 AM	CNY	Manufacturing PMI (Nov)	50.0	49.2
	02:25 PM	EUR	German Unemployment Change (Nov)	15K	8K
	03:30 PM	EUR	CPI (YoY) (Nov)	10.4%	10.6%
	06:45 PM	USD	ADP Nonfarm Employment Change (Nov)	200K	239K
	07:00 PM	USD	GDP (QoQ) (Q3)	2.7%	2.6%
	08:30 PM	USD	JOLTs Job Openings (Oct)	10.300M	10.717M
		USD	Pending Home Sales (MoM) (Oct)	-5.0%	-10.2%
	09:00 PM	USD	Crude Oil Inventories	-1.055M	
01.12.2022	07:15 AM	CNY	Caixin Manufacturing PMI (Nov)	49.0	49.2
	02:25 PM	EUR	German Manufacturing PMI (Nov)	46.7	46.7
	03:00 PM	GBP	Manufacturing PMI (Nov)	46.2	46.2
	07:00 PM	USD	Core PCE Price Index (MoM) (Oct)	0.3%	0.5%
		USD	Initial Jobless Claims	235K	240K
	08:30 PM	USD	ISM Manufacturing PMI (Nov)	49.8	50.2
02.12.2022	07:00 PM	USD	Nonfarm Payrolls (Nov)	200K	261K
		USD	Unemployment Rate (Nov)	3.7%	3.7%

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