

# Currencies Weekly Report

Week of 12.07.2021

[www.phillipforex.in](http://www.phillipforex.in)

July 12, 2021

## Global Economic Review & Outlook

It is usual that the week after the US Non-Farm payrolls are released is comparatively light, at-least on economic calendar and hence the FX movements too are restricted in absence of macro developments. The past week however, has been unusually turbulent for bonds and FX in particular. Going forward, till the next FED meeting, this turbulence can be considered to be permanent in nature.

On the macro level, major central banks will act to treat inflation as transitory while market participants will keep searching for hints negating the central banks' views.

Referring to the ECB views on inflation and their stance on not raising the interest rates any time soon, a surge in the Euro is out of question.

But the FED that signalled some action in the dot plot is also not able to live up to market expectations that there would be a rate hike any time soon. The FED's action would be constrained to announcing a taper to the asset purchases in the near term.

This leaves the FX traders with just the economic data releases and anticipations, to build their positions trying to make some money.

As we move into the Mid of July, the calendar gets heavier, loaded with risk, with the June US inflation (CPI) report due on Tuesday.

A few more high rated economic releases in the US along with the FED Chair Powell's Congressional testimony reflecting on the contents of the July Monetary Policy Report that was released on July 9.

The surge in use of Reverse Repos continues to haunt the bond & FX markets.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	14701.9	14639.3	0.43
DOW JONES	34870.16	34786.35	0.24
NIKKEI	27940.42	28783.28	-2.93
HANGSENG	27344.54	28310.42	-3.41
CAC	6529.42	6552.86	-0.36
DAX	15687.93	15650.09	0.24
FTSE	7121.88	7123.27	-0.02
FX	Last Close	Previous Week	% CHANGE
DX	92.11	92.24	-0.14
EURUSD	1.1875	1.1864	0.09
GBPUSD	1.3904	1.3821	0.60
USDJPY	110.09	111.04	-0.86

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.3930	74.3289	74.7438	74.6979	74.6446
EURINR	88.2604	88.3795	88.4010	88.1231	88.2857
GBPINR	102.9817	103.2518	103.2302	102.8754	102.7478
JPYINR	67.01	67.05	67.52	67.70	67.79

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.4700	74.9900	75.8100	76.6400	77.5650
Tuesday	74.6975	75.2225	76.0475	76.8875	77.8125
Wednesday	74.7600	75.2750	76.0900	76.9150	77.8450
Thursday	74.8325	75.3625	76.1675	76.9875	77.9175
Friday	74.7575	75.2875	76.1075	76.9275	77.8625

## Dollar Outlook

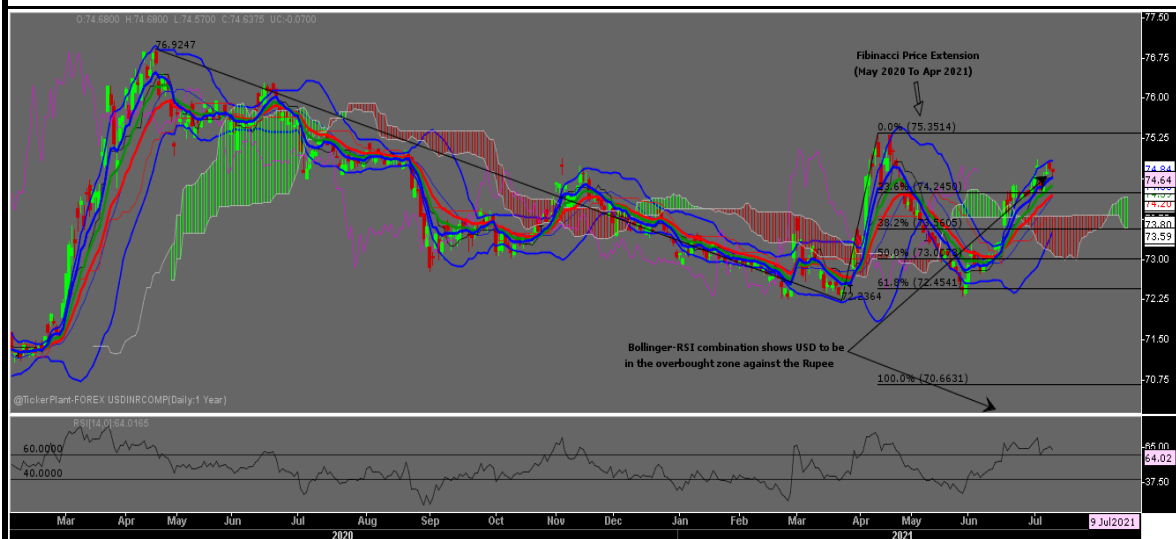
The Dollar Index has dropped back as we move into mid-July on the back of declining Fed rate hike expectations and collapsing US Treasury yields, but a strong Inflation reading (CPI) on Tuesday might bring an upmove in the Dollar.

However, the fact that the Fed continues to insist that inflation is transitory, may prevent significant upward move in yields.

On the other hand, a softer CPI could push both the yields and the Dollar further lower.

Coupled with Powell's semi-annual Congressional testimony, the US federal government's monthly budget statement for June, June PPI, eige Book, Philly Fed Manufacturing Index, June US industrial production figures, June US retail sales report and consumer sentiment are other important releases due throughout the week which shall keep the traders busy.

Most of these data releases are expected to be softer in comparison to the earlier readings making the dollar vulnerable.



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 Upper Bollinger resistance at 74.85 last week.

The Bollinger-Rsi combination shows the pair has reached its overbought zone and the prices might fall below the 8-13-20 EMAs to test 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 73.50.

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

However, this week, USD looks due for correction to atleast 74.20.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 74.80/60 SL 75.10 TGT 74.30-74.00								73.90 - 74.90		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.79	73.38	73.98	74.31	74.57	74.90	75.17	75.76	76.36	
Exporters Strategy	Exporters were suggested to partially hedge their July exposure around 74.30, 74.50 and 74.80.										
Importers Strategy	Importers are suggested to maintain strict Stops above 75.00 Spot for all July payables and target 74.30 & 74.00 for hedging July payables partially.										

## Euro Outlook

The ECB has been clear that it has no intention of tightening policy near term, in line with other central banks that have described inflation to be transient. The results of ECB's monetary policy strategy review helped the Euro regain an upward move as the minutes emphasized that Real GDP was expected to exceed its pre-pandemic level in Q1-2022 and Governing Council said economic activity was expected to accelerate in H2 as containment measures were lifted. With incoming information and data been favourable, the ECB is in no rush to switch gears as it stays on track to "conduct net asset purchases under the PEPP over the coming quarter at a significantly higher pace than during the first months of the year. Further, signs of a more robust recovery may encourage President Christine Lagarde and Co. to discuss an exit strategy from the PEPP. EUR/USD might see a large rebound ahead of the next ECB interest rate decision on July 22 as the ECB upgrades its economic outlook, but more of the same from Lagarde and Co. may produce headwinds for the Euro.



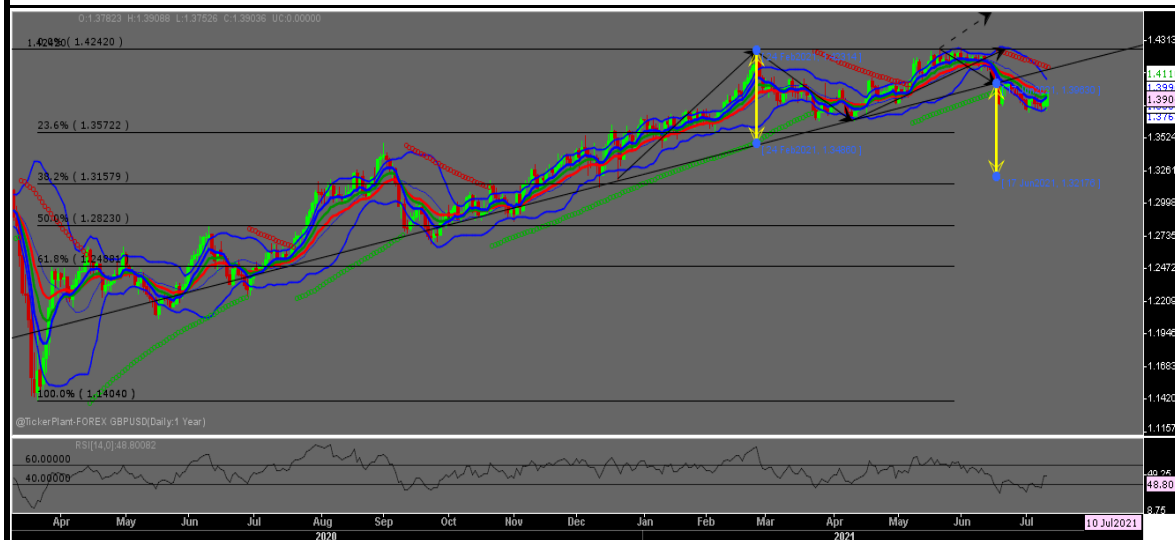
## British Pound Outlook

GBP/USD appears to be reversing from the monthly low (1.3731) as BoE Gov. Bailey insists the “economy is bouncing back rapidly,” and fresh data prints coming out of the UK are likely to sway the Pound as the central bank upgrades its economic outlook for the region.

Pound is little changed this month as Bailey expects the output gap to be closed by the end of this year. He also said, it is important not to over-react to temporarily strong growth and inflation. The comments suggest the BoE is in no rush to switch gears as the UK experiences a rapid but uneven recovery, but the update to the CPI may put pressure on the MPC to draw up an exit strategy.

The headline reading is projected to increase to 2.2% from 2.1% in May, which would mark the highest reading since November 2018.

At the same time, Employment is anticipated to increase 90K in April after expanding 113K the month prior, and a batch of upbeat data prints may fuel a larger rebound in GBP/USD as it encourages the BoE to gradually adjust the forward guidance for monetary policy.



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 the start of July.

The pair in the last week 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.

This week GBPUSD can find supports and rise further to approach the Upper Bollinger band as the pair has been under pressure for long and is due for small recovery as shown by the Bollinger-RSI combination saying the pair is oversold.

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

Levels near 1.4020-1.4050 can see fresh selling in the pair going forward in the near term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish	Buy 1.3850/30 SL 1.3780 TGT 1.3960-1.4020				Buy 103 SL 102.60 TGT 103.60-104.00				1.3820-1.4030   102.80-104.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		101.07	101.71	102.35	102.66	102.99	103.30	103.64	104.28	104.92	
Exporters Strategy	Exporters are suggested to hedge their July exposure partially (50%) around 103.50 pending to be held open with Stops below 102.50.										
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 103.80.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
13.07.2021	06:00 PM	USD	CPI m/m	0.5%	0.6%
		USD	Core CPI m/m	0.4%	0.7%
14.07.2021	11:30 AM	GBP	CPI y/y	2.2%	2.1%
	06:00 PM	USD	PPI m/m	0.6%	0.8%
		USD	Core PPI m/m	0.4%	0.7%
	08:00 PM	USD	Curde Oil Inventories		-6.9M
	09:30 PM	USD	Fed Chair Powell Testifies		
15.07.2021	07:30 AM	CNY	GDP q/y	8.0%	18.3%
	03:30 PM	GBP	MPC Member Saunders Speaks		
	06:00 PM	USD	Philly Fed Manufacturing Index	27.8	30.7
		USD	Unemployment Claims	350K	373K
	06:45 PM	USD	Industrial Production m/m	0.6%	0.8%
	07:00 PM	USD	Fed Chair Powell Testifies		
16.07.2021	Tentative	JPY	BOJ Outlook Report		
	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Press Conference		
	06:00 PM	USD	Core Retail Sales m/m	0.4%	-0.7%
		USD	Retail Sales m/m	-0.5%	-1.3%
	07:30 PM	USD	Prelim UoM Consumer Sentiment	86.5	85.5

**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.