

# Currencies Weekly Report

Week of 23.08.2021

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August 23, 2021

## Global Economic Review & Outlook

The Fed tapering is now a done deal this year unless the Delta variant messes up the outlook. The big question now is how aggressive the tapering process we should expect and how we should trade it?

Janet Yellen allegedly backs Jay Powell for a second term, which is a hawkish scenario compared to the alternative (Lael Brainard). Powell is for example clearly less woke in his employment mandate understanding than Brainard.

Tapering is now openly the base case of the Federal Reserve for this year unless something goes wrong. The last FOMC meeting minutes revealed a fairly big hawkish turn from a majority of the FOMC members. "Looking ahead, most participants noted that, provided that the economy were to evolve broadly as they anticipated, they thought it could be appropriate to start reducing the pace of asset purchases this year". Stocks are not happy, but the USD is, while the fixed income response has been muted.

Lael Brainard's style and opinions suited the Biden administration much better than Powell's, but suddenly it doesn't seem Brainard will take over the reins next year as Janet Yellen allegedly backs Powell.

The relative outlook between Fed and ECB will likely widen policy-wise over the coming year, leaving the EUR vulnerable against USD. We expect Fed to deliver four hikes before the end of 2023, while the ECB is on hold.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	14714.70	14822.90	-0.73
DOW JONES	35118.64	35515.91	-1.12
NIKKEI	27013.25	27977.15	-3.45
HANGSENG	24849.72	26391.62	-5.84
CAC	6626.11	6896.04	-3.91
DAX	15808.04	15977.44	-1.06
FTSE	7087.90	7218.71	-1.81
FX	Last Close	Previous Week	% CHANGE
DX	93.50	92.52	1.06
EURUSD	1.1699	1.1793	-0.80
GBPUSD	1.3621	1.3862	-1.74
USDJPY	109.76	109.59	0.15

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	--	74.2856	74.3002	--	74.4275
EURINR	--	87.4030	87.0833	--	86.9417
GBPINR	--	102.6152	102.1212	--	101.3613
JPYINR	--	67.95	67.80	--	67.87

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	--	--	--	--	--
Tuesday	74.4100	74.8650	75.6200	76.4600	77.2900
Wednesday	74.2800	74.7350	75.4800	76.3250	77.1450
Thursday	--	--	--	--	--
Friday	74.4175	74.8700	75.6150	76.4650	77.2900

## Dollar Outlook

The US Dollar (via the DXY Index) added +1.01% last week, moving up to fresh yearly highs as traders have begun to anticipate a faster-than-expected timeline to the Federal Reserve's stimulus withdrawal. Gains for the US Dollar were flush across the board otherwise as escalating delta variant concerns sapped confidence in global growth-sensitive currencies.

The end of August will produce a busy docket of event risk out of the US. Over the course of the week into of the Jackson Hole Symposium, there are few 'high' rated events that will bring a significant event risk-based volatility.

On Monday, the August US Markit manufacturing PMI (flash), and the July US existing home sales data are due followed by July New home sales report on Tuesday. The July durable goods orders report is set for publication on Wednesday.

On Thursday, the Jackson Hole Economic Policy Symposium will begin. The Q2 US GDP report is due, as are weekly jobless claims figures.

On Friday, the July PCE report will be released. Fed Chair Powell will also deliver his Jackson Hole speech, vaguely titled “The Economic Outlook.”



The USDINR Daily chart indicates the Dollar has almost recovered from continued depreciation versus Rupee since 2nd half of April. 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 at 75. The Bollinger-Rsi combination shows the pair is oversold and the prices are hovering around the 8-13-20 EMAs while holding the 23.6% Fibo support of 74.25. The bullish ichimoku cloud formation emerging ahead suggests the pair might see a bounce in price in the week ahead to rise to 74.50 again and continue its move up. The RSI however suggests a sluggish movement for a few sessions before the pair gathers a strong upward momentum. One can initiate long this week around 74.25 for targets of 74.60 & 74.85.

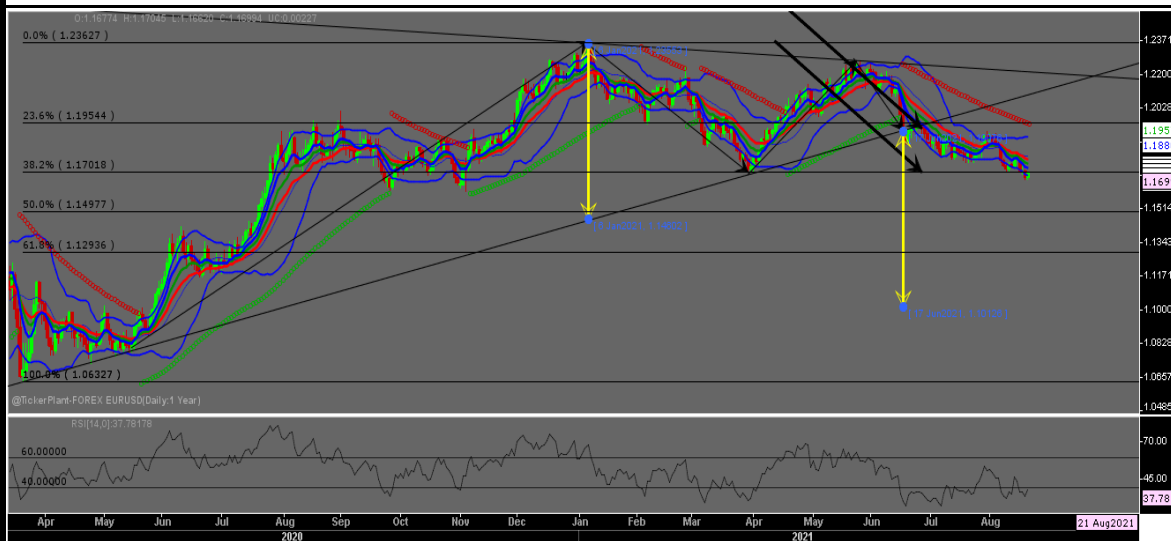
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 74.30-74.20 SL 73.85 TGT 74.60-74.85								74.00 - 75.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		73.59	73.84	74.10	74.24	74.35	74.50	74.61	74.86	75.12	
Exporters Strategy	Exporters were suggested to hedge their August exposure around 74.50 and 74.70 partially. Last week High 74.4650.										
Importers Strategy	Importers were suggested to target 74.25 for hedging August payables partially. Further advised earlier to book around 74.20 fully.										

## Euro Outlook

Last Thursday's sharp decline in EURUSD below 1.17 came as no surprise but was still highly significant and has set the stage for further weakness. Market participants are so convinced that the Federal Reserve will effectively pre-announce a reduction in its monetary stimulus that there is plenty of room for disappointment even if there is a slightest deviation in the Fed's outlook.

The Fed could, for example, decide to say nothing until the September 21-22 meeting of the FOMC, which will include a summary of its economic projections. This, however, is less likely but possible.

Turning to the coming week's data, there are plenty of figures that would normally be important but will be less so because of the shadow cast by the Jackson Hole Symposium. There are purchasing managers' indexes for both the manufacturing and services sectors of the Eurozone economies Monday, followed by the Ifo index of Germany's business climate Wednesday, the GfK measure of German consumer confidence Thursday and French consumer confidence Friday.



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 which have already given a bearish crossover earlier. The pair also breached the 38.2% Fibo support at 1.17 in the past week, thus opening further downside targets at-least to the next 50% Fibo support around 1.15 in the near term.

The pair also has regained its bearish trend yet again, indicating a continued weakness in the pair for a target below 1.13 in the longer term.

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.

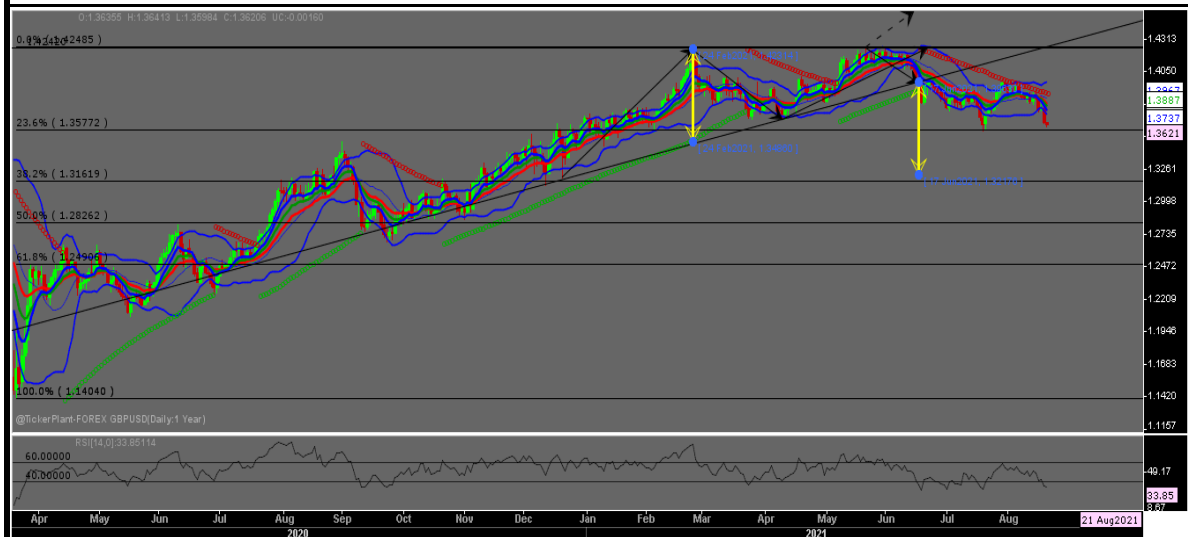
This week one can go short around 1.1760 for targets of 1.1650.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.1760-1.1780 SL 1.1830 TGT 1.1700-1.1650				Sell 87.30-87.50 SL 87.85 TGT 86.80-86.50				1.1650-1.1800   86.50-87.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.83	85.57	86.32	86.58	87.06	87.32	87.81	88.55	89.30	
Exporters Strategy	Exporters were advised to hedge 50% around 89.20 & maintain strict stops at 87.80 on Spot for the remaining 50% of the August exposure. Stop has been triggered.										
Importers Strategy	Importers are suggested to hedge 50% at 88.25 on Spot & maintain stops above 88.85 for remaining of their August. Advise hedging another 25% at 87.50 & pending around 87.00. All levels triggered.										

## British Pound Outlook

The minutes from the July meeting suggest the FOMC is on track to scale back monetary support as most participants “judged that the standard set out in the Committee’s guidance regarding asset purchases could be reached this year,” and the Fed symposium may offer clues for the next interest rate decision on September 22 as officials emphasize “the economy’s continued recovery as well as its progress toward the Committee’s maximum-employment and price-stability goals.”

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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 ended the past week lower again around the 23.6% Fibo support. The pair now finds a strong resistance between 1.3850 (Bollinger mean) and 1.3880 (Bearish Parabolic SAR) holding which it may fall back to 1.3570 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. Levels near 1.38 will attract fresh selling going forward in the coming week. Avoid going long in the pair at lower levels for the week.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Sell 1.3800 SL 1.3880 TGT 1.3550-1.3520				Sell 102.20 SL 102.80 TGT 101.50-101.00				1.3500-1.3850   100.80-102.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		97.30	98.77	100.25	100.75	101.72	102.23	103.20	104.67	106.15	
Exporters Strategy	Exporters were suggested to hedge their August exposure partially (50%) around 104. Pending to be held open with Stops below 103. Stop triggered earlier.										
Importers Strategy	Importers were suggested to target levels near 103 to hedge their August exposure partially. Pending exposure was held open targetting 102.50 to cover fully.										

## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
23.08.2021	12:45 PM	EUR	French Flash Manufacturing PMI	57.1	58.0
		EUR	French Flash Services PMI	56.2	56.8
	01:00 PM	EUR	German Flash Manufacturing PMI	65.1	65.9
		EUR	German Flash Services PMI	61.0	61.8
	01:30 PM	EUR	Flash Manufacturing PMI	62.0	62.8
		EUR	Flash Services PMI	59.6	59.8
	02:00 PM	GBP	Flash Manufacturing PMI	59.5	60.4
		GBP	Flash Services PMI	59.0	59.6
	07:15 PM	USD	Flash Manufacturing PMI	62.4	63.4
		USD	Flash Services PMI	59.1	59.9
25.08.2021	01:30 PM	EUR	German ifo Business Climate	100.2	100.8
	06:00 PM	USD	Core Durable Goods Orders m/m	0.4%	0.5%
	08:00 PM	USD	Crude Oil Inventories		-3.2M
26.08.2021	06:00 PM	USD	Prelim GDP q/q	6.6%	6.5%
		USD	Unemployment Claims	345K	348K
	Day 1	All	Jackson Hole Symposium		
27.08.2021	06:00 PM	USD	Core PCE Price Index m/m	0.3%	0.4%
	07:30 PM	USD	Fed Chair Powell Speaks		
		USD	Revised UoM Consumer Sentiment	70.4	70.2
	Day 2	All	Jackson Hole Symposium		

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